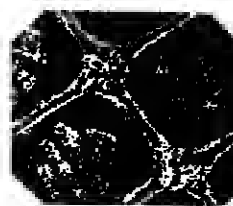


# FINANCIAL TIMES



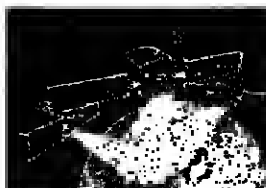
**Gold rush**  
Dealers in a tight spot

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**Drug delivery**  
Thin time for skin patches

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**Today's surveys**  
Australia  
N. Ireland

Separate sections

World Business Newspaper

THURSDAY NOVEMBER 30 1995

D8523A

## OECD warns Fed on further cuts in US interest rates

The US Federal Reserve should not cut interest rates further because the economy is rebounding after weakness earlier this year, the Organisation for Economic Co-operation and Development said. The Paris-based body said the US economy was likely to grow by 2.5 per cent next year, with low inflation and near full employment, and warned the Fed to remain vigilant against the risk of higher inflation. Page 18; OECD says US achieved 'soft landing', Page 6

### Top banker warns of currency turbulence

Alexandre Lamfalussy (left), president of the European Monetary Institute, warned currency turbulence could hit the European markets between now and 1998, when a decision is taken on which countries will become members of the planned economic and monetary union. He said currency traders would start to consider the date of the decision about which countries would become ECU members, and at what level exchange rates would be irreversibly locked. Page 18; Pact with ECU 'outsiders' canvassed, Page 2

**Moscow told to delay sell-offs:** Opposition to Russia's privatisation programme has intensified, with a threat by a group of influential bankers to pull out of government securities unless it is delayed. Page 2

**Berlusconi declines questioning:** The former Italian prime minister Silvio Berlusconi snubbed anti-corruption magistrates in Milan by refusing to be questioned about alleged illicit funding of the now defunct Socialist party. Page 2

**Price fall fuels Pechiney worries:** A fall in the price of Pechiney's investment certificates and reports of weak investor demand fuelled concerns about the privatisation of the French aluminium and packaging group. Page 19; Lex, Page 18

**Krupp Hoesch to pay \$488m for Uhde:** Krupp Hoesch, the German steel and engineering group, has outbid two leading competitors to buy Uhde, one of the world's leading constructors of chemical plants and a subsidiary of the Hoechst chemicals group. Industry sources said Krupp Hoesch would pay about DM700m (\$488m). Page 20

**Nato plans Bosnia advance guard:** Nato ambassadors are today expected to give the go-ahead for the deployment of 2,000 US, British and French soldiers to clear airfields, improve communications and set up headquarters for the Nato command in Bosnia. Page 2

**England football coach facing legal action:** Terry Venables, coach of the England football team, has been told by the UK Department of Trade and Industry that it is to start proceedings to disqualify him as a director. It means he may face court action in the run up to and possibly during next summer's European Championships in England. Page 13

**Italians consider Russian telecom stakes:** An Italian telephone group is the most likely strategic investor in control of a 25 per cent stake in a Russian telephone company. Page 2

**Nedlloyd tumbles in third period:** The Dutch transport group Nedlloyd reported a sharp drop in third-quarter net profits. Page 20

**Top Tokyo panel urges deregulation:** Japan must carry out painful economic deregulation or submit to even more traumatic below-average economic growth for at least the next five years, a top government panel has warned. Page 10

**Chinese old-guard attacks Deng's policies:** Old-guard Communist party ideologists have launched a stinging attack on the policies of Deng Xiaoping, China's supreme leader. Page 18; AsiaSat buys China's rocket plans, Page 8; Limits stay on foreign banks, Page 10

**Ro-ro ferry safety standards agreed:** The International Maritime Organisation agreed a set of higher safety standards for roll-on/roll-off ferries and decided to allow member states to impose even higher standards if they wished. Page 4

**Record for Bank of Nova Scotia:** Bank of Nova Scotia has reported record annual earnings. Page 21

**Britannia warns Seoul on imports:** Sir Leon Brittan, the EU vice president, urged South Korea to remove restrictions on car imports and to end indirect subsidies for its shipbuilders. Page 8

STOCK MARKET INDICES	
New York: Dow Jones Ind.	5,978.82 (+0.72)
NASDAQ Composite	1,522.19 (+2.14)
Europe and Far East	
UK: FTSE 100	2,265.62 (+4.11)
FTSE 100	2,265.62 (+4.11)
Nikkei	19,521.98 (+154.44)

US LUNCHTIME RATES	
3-month Treasury Bill	5.48%
Long Bond	10.8%
Yield	5.22%

OTHER RATES	
UK: 3-month Treasury Bill	5.48%
UK: 10 yr Govt	10.8%
France: 10 yr Govt	10.8%
Germany: 10 yr Govt	10.8%
Japan: 10 yr Govt	10.8%

NORTH SEA OIL (Argus)	
Brent 15-day (Jan)	\$17.17 (\$7.05)

Currencies	
Australia	1.54
Belgium	36.36
Canada	0.71
Denmark	6.46
France	6.55
Germany	1.93
Italy	1.36
Japan	163.63
Netherlands	2.20
Spain	166.66
Sweden	8.46
Switzerland	1.73
UK	1.54
US	0.71

## Juppé stands firm on austerity reforms

By David Buchanan in Paris

Mr Alain Juppé, the French prime minister, yesterday pledged to pursue austerity reforms in the face of mounting chaos in the country's public services, as postal and energy workers today join rail workers in protest strikes.

In spite of government assurances that welfare reform would not affect special pension arrangements, rail workers decided to carry their nationwide strike into a seventh day in protest at productivity measures contained in the plan to bail the SNCF rail network out of

Pressure grows on French PM as strikes spread

its FF175b0 (\$35.6bn) debt. The spreading strike movement is spearheaded by rail workers who have persuaded some postal workers to join them. It has been augmented by a dispute over energy deregulation that may cause power cuts today, presenting French leaders with a serious challenge.

But a defiant Mr Juppé, who is under increasing political pressure, insisted yesterday: "The hour of true reforms has struck for France. Putting them off, as we have for 15 years, would mean

accepting a [national] decline." At the heart of these reforms is Mr Juppé's plan to wipe out the country's FF60bn-a-year social security deficit by increasing charges and cutting welfare expanding and waste. The plan has sparked two public sector strikes in the past week.

President Jacques Chirac told a cabinet meeting yesterday: "The reforms will take place and the government must stick to the agreed timetable." The cabinet approved a draft bill allowing Mr Juppé to impose new welfare

charges and other measures by decree, which must be ratified by a parliament in which the government has a strong majority. The growth in social strife is taking place against the background of weakening growth in the economy. The latest statistics agency yesterday estimated that the economy expanded by 0.2 per cent in the third quarter, but also downgraded its earlier estimate of 0.4 per cent in the second quarter to 0.2 per cent.

The prospect of zero growth in the final quarter, already

suggested by an October fall in consumption, will be reinforced by the strikes. The Peugeot car company yesterday announced a one-day lay-off for 7,000 workers at its Mulhouse plant in eastern France, which ships 70 per cent of its cars by rail.

Mr Jean Bergougnoux, the SNCF president, yesterday estimated that the strike was costing the operator FF10m a day.

The government has reassured rail workers that they will be

Continued on Page 18  
Strike could derail reform ambitions, Page 3  
Editorial Comment, Page 17

## US president eases fears on strength of Anglo-American relationship

### Clinton in backing for new Ulster peace moves

By John Kampner and Jurek Martin in London

President Bill Clinton flies to Belfast today for the first visit to Northern Ireland by a serving US president after endorsing the deal struck by the British and Irish governments in pushing the peace process forward.

Mr Clinton used a day of political talks and pageantry in London in an effort to calm British misgivings about the strength of the Anglo-American relationship. He was effusive in his praise for the role played by Mr John Major, the UK prime minister, in devising a new strategy that could see the start of all-party negotiations on a constitutional settlement for Northern Ireland within three months.

Officials expressed relief that the accord, announced late on Tuesday by Mr Major and his Irish counterpart, Mr John Bruton, was greeted with less strident opposition from Ulster's main parties than feared.

Mr Major told MPs he anticipated the two elements in the "twin track" strategy - preliminary talks between the governments and the parties, and an international body to look into

decommissioning of arms - to be operational within days. Mr George Mitchell, a senior presidential adviser and a former senator, was formally confirmed as head of the body. He will be joined by General Lewis MacKenzie from Canada, the first commander of the UN peacekeeping force Unprofor, and Mr Esko Aho, a former Finnish prime minister.

After two hours of talks in Downing Street with Mr Major, Mr Clinton refused to express an opinion on whether the IRA should hand in some weapons before Sinn Féin is allowed in all-party talks. "The British say the pre-condition is unchanged and does not fall within the remit of the international group."

In a warning that will greatly enhance the efforts of Mr Major and Mr Bruton, Mr Clinton said: "My message to the IRA is that the twin track process has provided a mechanism for all the parties honourably now to bring their concerns to the table and be heard."

The tone of Mr Clinton's visit and its itinerary have been designed to assure the British that the administration's professions of even-handedness are genuine.



Seeing eye to eye: Bill Clinton, left, and John Major face the media outside the UK prime minister's Downing Street residence yesterday

mine. Addressing members of both houses of parliament in Westminster's Royal Gallery, Mr Clinton stressed both countries' common values, as exemplified by their approach to Bosnia. The deployment of US and British troops to a UN peace enforcement force in the former Yugoslavia figured prominently in his discussions with Mr Major.

Mr Clinton and his wife Hillary also met Mr Tony Blair, the Labour leader, and were guests of the Queen at Buckingham Palace. The meeting with Mr Blair lasted an hour, twice as long as scheduled.

Among the events scheduled for Belfast and Londonderry today are talks with Mr David Trimble, the Ulster Unionist

leader. Mr Gerry Adams, Sinn Féin president, will not be granted a similar one-on-one meeting. Mr Trimble and Mr Adams are expected to find themselves in the same room for the first time during a reception at Queen's University.

Mr Adams' reaction to the "twin track" agreement was muted. Sinn Féin, he said, would give a definitive response within a month. "It is not a document which Sinn Féin would have negotiated but it is one which

presents some challenges for us and for other parties," he said.

It was Sinn Féin's refusal to co-operate that scuttled a planned Anglo-Irish summit in September as the peace process appeared to be heading for a breakdown. Mr Trimble described as "distasteful" the haste with which the agreement was made.

Sure touch of a statesman, Page 12; Editorial Comment, Page 17; Northern Ireland survey, separate section

## Travelers to pay \$4bn for rival insurer's property arm

By Richard Waters in New York

Travelers, the US financial services group which has been constructed through acquisition by Mr Sandy Weill, yesterday reached an agreement to pay \$4bn for the property/casualty insurance business of Aetna.

Aetna, one of the largest US life companies, had earlier announced plans to sell the business to concentrate on its health insurance and financial services operations. Hit by environmental and hurricane losses, and facing little growth in premium rates, a number of US insurers have recently backed away from property/casualty insurance.

The deal announced yesterday "will be a wake-up call to others", Mr Weill said. "This is an industry in consolidation: there are too many players with returns that are too low." He predicted that, as with other industries undergoing consolidation in the US, such as defence, the companies which make the first purchases will be the ones that get the best deals.

Mr Weill's group, formerly known as Primerica, bought the

Germany's Dresdner Bank is negotiating to buy BCM Capital Management, a US asset management company owned by Travelers, for about \$500m, in a move aimed at continuing its drive into international investment banking. BCM, based in San Francisco, has assets under management of about \$27bn. Report, Page 19. Allianz in Australian deal, Page 20.

Travelers insurance business two years ago, while two smaller insurers - Continental and Home Holdings - have been sold over the past year.

Travelers said it would combine its own property/casualty operations with those of Aetna and sell shares in the new unit to the public next year. The new company would be the US property/casualty industry's fourth largest, with net premiums of \$5.5bn and total revenue of \$12bn.

The new company "could be earning upwards of \$1bn" in three years' time, Mr Weill predicted. Travelers said it expected to cut at least \$300m in costs over the next two years, in part by shedding 2,500 of the 12,000 jobs in the combined business.

Even after the merger, Travelers would still only account for little more than 3 per cent of the

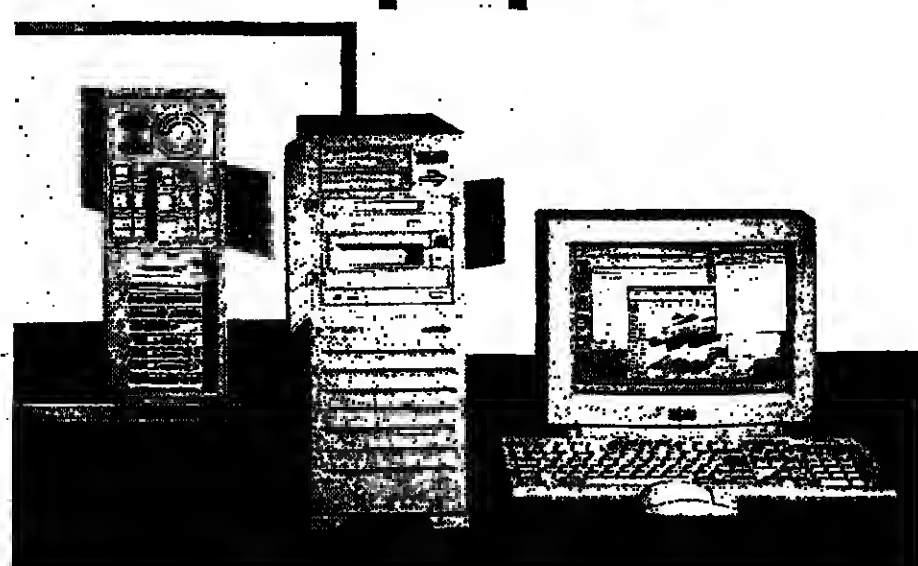
premiums paid to property/casualty insurers in the US each year. The US insurance business remains highly fragmented, due in part to a rigid regulatory structure and a large number of mutually owned companies.

The biggest takeovers so far have been mounted by outsiders such as Mr Weill, a former president of American Express. Other buyers have included GE Capital and CNA, a company controlled by Mr Lawrence Tisch, as well as a number of buy-out funds.

Before selling shares in the new unit, Mr Weill said Travelers would boost its reserves by "somewhat more" than \$1bn. Aetna itself has already set aside \$750m this year to cover expected environmental liabilities, and the new reserves would be to meet other classes of risk.

Lex, Page 18

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# Nato plans Bosnia advance guard

By Caroline Southey  
in Brussels

The first Nato troops could arrive in Bosnia early next week to prepare for deployment of a 60,000-strong international peacekeeping force, the bulk of which is due to arrive in the former Yugoslavia by mid-January.

Nato ambassadors are today expected to give the go-ahead for deployment of a 2,800-strong "enabling" force of American, British and French soldiers to clear airfields, improve communications and set up headquarters for the Nato command.

Nato is pressing ahead with detailed preparations although a number of political hurdles have to be cleared before the peacekeeping force can be sent. These include the US Congress's approval of President Bill Clinton's plan to commit 20,000 US troops as well as the approval of the plan by a number of European parliaments, including the Netherlands, Italy and Germany.

The final go-ahead for G-day - or Go-day - is expected after a conference in Paris next month at which a formal peace accord will be signed. Diplomatic sources in Paris said yesterday the agreement would be signed on December 14. Nato officials said the UN would transfer authority for the military operation to Nato within 90 days of the end of the conference.

The intention of General George Joulwan, Nato's chief allied commander, was to begin deployment of the 60,000 troops immediately after that date and to have most of the troops in place within 30 days, Nato said. "The parties in the former Yugoslavia have been

given 30 days to withdraw from areas they are not meant to be in. If they are still there after 30 days Nato will oblige them to leave," it said.

The Nato council is due to give preliminary approval of the detailed operational plan early next week, including the "robust" rules of engagement and "clear command structures". A decision is also

## Prague to send troops

The Czech government yesterday approved the participation of Czech troops in the planned Nato-led peacekeeping mission in Bosnia, Reuters reports from Prague.

Prime Minister Václav Klaus said the Czech Republic would send "up to 1,000 men". Parliamentary ratification is required, but the government has a majority in the legislature.

Mr Klaus said the government agreed to release just under \$1.25bn (\$47m) to finance its participation. He said the government would seek approval from all three groupings in Bosnia for the Czech participation.

expected early next week on which non-Nato countries will participate in the operation. Nato officials said Mr Joulwan had been mandated to discuss contributions from 12 countries.

Details of the plan for an enabling force emerged the day after Nato and Russia reached agreement on the terms under which 2,000 Russian troops would participate in the force. The deal allows for consulta-

tions between Nato's command, the North Atlantic Council and Russia.

But Nato officials made clear Russia would not be consulted on Nato decisions which did not involve Russian troops and that Moscow would have no power to block or delay Nato decisions.

Two other issues relating to Bosnia dominated yesterday's meeting of Nato defence ministers - disarmament of the warring factions in the former Yugoslavia and plans for the reconstruction.

Mr William Perry, defence secretary, said the US would help arm the Bosnian forces within six months if plans to reduce the imbalance of power between the former warring parties were not successful.

He said the US was committed to seeing the implementation of a disarmament programme agreed as part of the peace plan in Dayton, Ohio. But, he warned, the US did not want to leave after 12 months with the imbalance still in place.

"The best way to reduce the imbalance is through building down. But if the arms control effort is not successful the US will take action to ensure the imbalance is corrected," he said. This could involve "adding some equipment to the Bosnian forces".

Nato officials also stressed the importance of a successful outcome to the London conference on reconstruction. "Nato does not want to be left holding the baby," the Nato spokesman said. Nato's role was to "create the environment for a civilian operation" not to create one itself.

Offer to trade defence bill for Bosnia mission, Page 6



Jacques Santer speaking at a news conference yesterday

# Larger EU at any price

By Lionel Barber in Brussels

Enlargement of the European Union eastwards will be costly but manageable, according to two European Commission reports agreed yesterday.

The reports embrace the principle of reforming the Common Agricultural Policy and the EU's aid to poorer regions. But they reject wholesale dismantling to accommodate membership for the former communist countries of central and eastern Europe and favour applying policies gradually.

The reports - to be presented to the EU summit in Madrid on December 15-16 - avoid cost estimates and reflect the political sensitivity of tackling reform of CAP and regional aid which account for 80 per cent of the annual Ecu50bn (£68bn) budget and

enjoy the support of powerful vested interests.

Several commissioners expressed doubts at yesterday's meeting about the tentative approach to reform, with some reportedly arguing for a clearer timetable for accession negotiations. But Mr Jacques Santer, the Commission president, made clear he intends to play a long game. He believes it would be a disaster to open an argument about money while the Commission is struggling to keep alive hopes of serious institutional reform at next year's conference to review the Maastricht treaty.

At a news conference, he said it was vital to preserve "cohesion" between the richer and poorer countries. More work was needed to assess the effectiveness of so-called structural funds, Mrs Monika Wulf-Mathies, regional affairs com-

missioner, added: "Enlarge-ment eastwards without political guarantees for the 'cohesion' countries [Greece, Ireland, Spain, Portugal] is not socially acceptable or politically feasible."

Regional aid to the eastern Europeans would also have to be measured according to the capacity of their economies to absorb financial assistance from Brussels.

Mr Franz Fischler, agriculture commissioner, portrayed the planned CAP changes as an extension of reforms begun in 1992 in preparation for the Gatt Uruguay trade round. These reforms broke the link between price support and production, and moved toward direct income payments.

Although Mr Santer avoided offering a timetable for enlargement negotiations, he revealed that the Commission

would publish an opinion on countries' applications shortly after the conclusion of the IGC, widely tipped to end in mid-1997. EU governments would then determine the launch-date of negotiations.

Six eastern countries have applied for membership: Hungary, Poland, Romania, Slovakia, Latvia and Estonia. Four more are likely to do so: the Czech Republic, Slovenia, Bulgaria and Lithuania. Malta and Cyprus have already won a pledge to open accession negotiations six months after the conclusion of the IGC.

Mr Santer criticised Mr Neil Kinnock, transport commissioner, for questioning the enlargement strategy and the launch date of monetary union in 1999. It was damaging to the policy and purpose of the Commission, he said.

Changes on farm, Page 17

# Pact with Emu 'outsiders' canvassed

By Lionel Barber in Brussels and Peter Norman in Bonn

The idea of a "monetary pact" between members of the planned European economic and monetary union and those EU states outside it is being actively canvassed in European capitals.

Mr Theo Waigel, German finance minister, told a parliamentary hearing yesterday that next month's EU summit in Madrid could agree on the need for a new agreement between "insiders" and "outsiders".

In Brussels, the Commission published a paper calling for an exchange rate "arrangement" between the single currency and non-participants. However, it ducked the question of whether those outside a single currency area would have to join a strengthened exchange rate mechanism.

Discussions on a monetary pact would be likely to take place in parallel to the German-led debate on a "stability

pact" designed to enforce budgetary discipline among countries taking part in monetary union, Commission officials said.

At the Bundestag hearing, Mr Alexandre Lamfalussy, president of the European Monetary Institute, said it was "absolutely essential" to find a consensus on how to handle the relationship between the Emu members and non-members. Failure could "poison" the European Union.

The issue is sensitive because countries which are not among the first group moving to monetary union fear they could be vulnerable to currency speculation and be condemned to second-class EU membership.

Another delicate question is whether the UK, which, along with Italy, left the ERM in September 1992, could be obliged to rejoin if Emu goes ahead on schedule on January 1, 1999.

Mr Lamfalussy said it was necessary to minimise changes in real exchange

rates to preserve the good functioning of the EU's single market.

However, it was not an urgent problem and he would prefer that member states took time to produce a good solution.

Mr Hans Tietmeyer, president of the Bundesbank, said lessons should be learned from the history of the ERM, when parties had often been held unchanged for too long, leading to "explosive events".

He said a way had to be found to ensure "real", rather than "nominal", stability between the single European currency and outside currencies.

Currency intervention was not a suitable method of stabilising exchange rate relations between insiders and outsiders because it could cement the wrong parities and undermine price stability.

Since the last serious upheaval in the ERM in August 1993, he said, member

states had had some positive experiences with the broad fluctuation margins of plus/minus 15 per cent. There had been little intervention, and countries had been encouraged to focus on the correct policies for internal stability. Mr Lamfalussy said a particular difficulty was the heterogeneous nature of the likely outsiders. Some countries would want to be in Emu but would fail to fulfil the criteria, while some would meet the criteria but which would not want to join.

Differences would also arise among those wanting to join Emu, making it difficult to draw up a multilateral agreement. The Commission paper, however, leans toward the assumption that all countries would "normally" be expected to take part in the ERM, "whatever its form".

Mr Tietmeyer said the issue of insiders and outsiders was being discussed among European central banks and with the ERM.

# Berlusconi declines to be questioned

By Robert Graham in Rome

Mr Silvio Berlusconi, the former Italian prime minister, yesterday snubbed anti-corruption magistrates in Milan by refusing to be questioned about alleged illicit funding of the new defunct Socialist party.

His refusal was contained in a memorandum released to the press 24 hours before he was due to appear before the magistrates.

Mr Berlusconi claimed that a highly politicised attempt was being made to undermine his political future. "To see me go up to the fourth floor of the justice building in Milan would be presenting my adversaries with a judicial celebration in advance of the political downfall they so dearly want."

The memorandum went on: "Having been guilty of being lucky enough to obtain a large popular vote, I must now 'confess' that I am the last descen-

dant of the old political system - yet again without proof and against all evidence."

The tone of the memorandum indicated Mr Berlusconi realised his political career was at risk in this latest move by Milan magistrates to investigate him. He is already due to stand trial in January on charges of being involved in bribes paid to the Guardia di Finanza, the financial police, to ease inspections of Fininvest accounts.

Last night, the Milan public prosecutor's office was considering how to respond. But they are believed to have further moves planned against him.

The magistrates are anxious to interrogate Mr Berlusconi about offshore operations of his Fininvest empire transferred in 1991 a total of 1,150m (\$3.6m) to accounts controlled by nominees of Mr Bettino Craxi, the former Socialist leader now living in self-imposed exile in Tunisia.

The transfers were made, the magistrates allege, via a Channel Islands company linked to Fininvest. A third of the money was subsequently returned to this company.

Milan magistrates last week issued four arrest warrants related to this transaction, including Mr Craxi and one of his business associates, as well as a senior Fininvest manager.

Mr Berlusconi stated again in his memorandum yesterday that he personally knew nothing about the funds but said they were connected with the payment for film rights in favour of a Franco-Tunisian film producer. But the transfers used the same bank account and lawyers as those of Mr Craxi's nominees.

The eight-month-long inquiry by the Milan magistrates is understood to have widened to embrace other senior Fininvest executives.



Italy's prime minister Lamberto Dini (left) with Spanish counterpart Felipe Gonzalez in Palermo yesterday. Mr Dini said he was confident Italy could ensure stable government during its six-month presidency of the EU when it succeeds Spain in January

# Italians set to pay \$1bn for Russian telecom stake

By John Thornhill in Moscow

Stet, the Italian telephone group, last night emerged as the most likely strategic investor to win control of a 25 per cent stake in a Russian telephone company which has been set up to modernise the country's underdeveloped telecommunications sector.

The Russian government is confident that at least one foreign bidder will meet today's deadline and offer more than \$1bn (\$300m) to buy the 25 per cent stake in the Svyazinvest company and commit itself to upgrading the country's

long-distance and international telephone network.

The state-controlled Italian company, which is itself due to be privatised next year, has been keen to expand in emerging telecommunications markets.

But it is likely to attach strict conditions to its bid and seek additional partners to finance its development plans in Russia.

The controlled auction process for the Svyazinvest stake is a high-risk strategy for the Russian government which could backfire embarrassingly if no acceptable bids are received today. But a successful sale of the

Svyazinvest stake, which would be the biggest foreign investment in Russia outside the energy sector, would help restore some credibility to Russia's controversial privatisation programme.

The sale would also provide much-needed funds to help the government cover this year's budget deficit. The bidder must offer at least \$430m for the 25 per cent stake and guarantee it will invest \$700m over the next two years to develop Svyazinvest's operations. The \$430m of revenue is almost half of the \$1bn the Russian government is hoping to raise from sell-offs before the end of

the year. The other group which had expressed a preliminary interest in Svyazinvest was a consortium comprising Deutsche Telekom, France Telecom, and a company representing US West.

It is thought the consortium was unable to resolve all its outstanding concerns within the extremely short bid timetable available to make a formal offer. However, it could still submit an alternative proposal today.

The Russian Privatisation Centre (RPC), an advisory body which has been conducting the sale, has attempted to set new standards of

openness and professionalism in selling the Svyazinvest shareholding. But its critics argue it has left many outstanding concerns unanswered.

Some of the world's biggest telephone companies, including AT&T, considered investing in Svyazinvest, but refrained from bidding because of the lack of financial information on the regional telephone companies and the uncertainties of the regulatory regime.

The RPC has been working to resolve these uncertainties over the past month by clarifying the corporate structure of Svyazinvest and the licence it holds. It has also estab-

lished a novel compensation scheme offering the strategic investor more shares, up to a maximum of 7 per cent of the total, if it transpires that Svyazinvest's assets have been substantially misreported.

Svyazinvest was created this summer to encourage greater competition in the telecommunications sector, which is currently dominated by the semi-privatised Rostelekom. The government granted Svyazinvest majority voting rights in 85 regional telephone companies, which boast 26m customers, and a full licence to develop long-distance and international telephone lines.

# Moscow warned: delay sell-offs or else

Chrystia Freeland and John Thornhill report on a threat by bankers to dump treasury bills

Opposition to Russia's privatisation programme has intensified, with a threat by a group of influential bankers to dump their holdings of treasury bills unless ministers modify their privatisation programme and prevent alleged insiders from benefiting from the process.

The three banks concerned - Alfa-Bank, Inkombank and Rossiskiy Kredit - are big operators in the two-year-old government debt market, which is central to the Kremlin's plans to cover its budget deficit by non-inflationary means.

The cash-strapped government launched its privatisation programme, which aims to sell the state's stake in some of Russia's most valu-

able enterprises by the end of the year, with the aim of raising at least \$1bn.

But critics, including political leaders and prominent businessmen, say the programme is transferring control of the country's most attractive companies to a small group of government insiders at a fraction of their market price.

Mr Mikhail Fridman, president of Alfa-Bank, said yesterday that he and the presidents of Inkombank and Rossiskiy Kredit had warned the chairman of the central bank that they might pull out of government treasury bills, known as the GKO market, during a meeting this week.

But Mr Alfred Kokh, acting head of the state property

committee which is supervising the privatisation programme, immediately reacted to the threat by saying: "It is not my job to support the GKO market. It is my job to support the equity market. Now it is current deals."

Last week both houses of the Russian legislature called on Mr Boris Yeltsin, the Russian president, to suspend the privatisation scheme and many opposition politicians have

the banks which has successfully participated in the privatisation auctions and was criticised in this week's anti-privatisation statement. "It is connected with the upcoming elections," he said.

Mr Khodarkovsky warned that the critique of the current wave of privatisations could play into the hands of communist politicians, who are ahead in opinion polls for the December 17 ballot.

The communists have said that they will annul privatisation where it has been conducted illegally. Most businessmen and government officials admit that nearly all private property in Russia could - on some interpretations - be deemed illegal. "This statement gives the com-

munist a card with which to turn things back," Mr Khodarkovsky said.

The dispute over privatisation has also created an unprecedented rift within the Russian banking community, which has traditionally resolved disagreements in private and presented a united face to the outside world.

Mr Khodarkovsky said he viewed this week's attack by the three other banks as "a declaration of war".

He has started a court action against the three rival bankers for libel and claims to have the backing of Onerimbank, the other commercial bank which has successfully participated in the disputed autumn round of privatisation.

# Danish budget secured by deal

By Hilary Barnes in Copenhagen

Denmark's centre-left minority coalition government yesterday secured backing for its 1996 budget through a deal with the opposition Conservative party.

This left the Liberals, the other main non-Socialist opposition party, out in the cold after 16 years of close co-operation between the two opposition parties, including 10 years in government in the 1980s.

The agreement cuts the central government budget deficit by Dkr4bn (\$725m) to about Dkr29bn - about 2.8 per cent of GDP - from an estimated Dkr37.6bn in 1995 and the finance ministry's projection in October of Dkr33.5bn for the 1996 deficit.

Mr Mogens Lykketoft, the minister of finance in the coalition dominated by the Social Democratic party, said: "The agreement has cleared the way for continued sound development of the Danish economy, rising employment, and perhaps a further nudge downwards in interest rates."

"It leaves us with a good chance of eliminating the general government budget deficit [central government plus local government] altogether by 1997," he declared.

Market reaction was positive, but modest, with the spread between German and Danish benchmark government bond rates narrowing from 111 to 108 basis points.

The government and Conservatives agreed:

- To cut defence spending by about Dkr600m compared with the government's original plans to cut it by about Dkr2bn.
- To tighten up the eligibility rules for the country's generous unemployment benefit system, especially for the under-25 age group. The maximum period for which benefit can be drawn will be cut from seven to five years.
- To reduce the 1 per cent wealth tax to 0.7 per cent in 1996 and abolish it in 1997.
- To drop a planned increase from two to three weeks in the period for which the employers pay sickness compensation.
- To sell off government assets worth Dkr2bn to strengthen budget revenue. The assets were not specified.
- The Liberals have been running at around 30 per cent in recent opinion polls, up from 23.3 per cent at the September 1994 election, but the Conservative party's support has slipped from 15 to 13 per cent.
- The Conservatives were keen to avoid the budget negotiations breaking down, which could have led to an early general election.



## EUROPEAN NEWS DIGEST

## Greek premier fights for life



Mr Andreas Papandreu, Greek prime minister, was fighting for his life on a life-support machine in hospital yesterday. "The premier is not breathing on his own. He breathes entirely because of this machine," a hospital spokesman said, adding that Mr Papandreu, 76, was undergoing sporadic dialysis to aid his kidneys. The Greek leader, who was rushed to hospital with pneumonia nine days ago, was responding to medication, he said, and an attempt to take him off the respirator would be made in the next two days. Doctors were forced to put Mr Papandreu back on a respirator on Tuesday after a relapse.

Meanwhile, a group of his senior ministers have met to discuss the 1996 state budget, to be submitted to parliament today. The meeting was chaired by Mr Akis Tsochatzopoulos, the interior minister, who deputises for Mr Papandreu and is considered a possible successor. A group of senior members of the governing Panhellenic Socialist Movement, which Mr Papandreu founded in 1974, had questioned the prime minister's ability to govern even before his illness. There is now more widespread doubt he will be able to serve out his four-year term, even if he recovers. The next general election must be held by November 1997.

Reuters, Athens

## Belarus leader's poll threat

President Aleksander Lukashenko of Belarus spoiled his ballot in yesterday's parliamentary elections and vowed to rule by decree if a low turnout means the elections are rendered invalid. Mr Lukashenko had refused to lift a requirement that deputies need 50 per cent of the vote to be elected. In May two rounds of elections only elected 119 deputies, not enough to make a two-thirds quorum in the 260-seat chamber.

Mr Lukashenko - who this year closed opposition newspapers and allowed parties only limited access to television and radio - has openly voiced his contempt for the parliament. Unless 55 candidates are elected to make a quorum, he will have no check on his authority. "There will be no more elections," Mr Lukashenko said yesterday. "I can tell you there will be no power vacuum. We'll have presidential rule... Direct rule is what we have in Belarus anyway." Results are expected today. The run-off between the leading candidates in each constituency is to be held in two weeks.

Matthew Kaminski, Kiev

## Strike grounds Sabena

Belgian unions yesterday grounded the Sabena airline and announced a new rail strike for next week in protest at plans to cut jobs and freeze wages. With little warning, Sabena unions stopped work at 4am, bringing the airline to a halt.

Their action followed the suspension of a collective bargaining agreement by a management looking to peg salaries at current levels over the next three years, to increase work hours by 5 per cent, and to win more flexibility from its 9,500 workers.

Unions yesterday blockaded offices and parking lots to prevent strike breakers getting to work. "The right to work has been totally disregarded," Sabena said. Unions at the airline warned of still tougher action. "The time might well come when we will have to use all means," said Mr Michel Boels of the Christian Democratic Union.

Rail unions called a strike for next Wednesday after fruitless talks with management, which wants to shed almost a quarter of the 45,000 workforce. It is the latest in a series of labour actions sweeping Belgium and unions plan a full public sector strike on December 13 in opposition to austerity measures by the centre-left government of Mr Jean-Luc Dehaene.

The strikes in Belgium added to already disrupted travel across Europe. In France, a nation-wide transport stoppage entered its sixth day after a new round of talks failed between unions and the state-owned railways. In Spain, unions at the state-owned Iberia airline entered the second day of a 48-hour strike.

AP, Brussels

## Lafontaine in talks with PDS

Mr Oskar Lafontaine, leader of Germany's opposition Social Democrats (SPD), and Mr Gregor Gysi, parliamentary leader of the former communist Party of Democratic Socialism (PDS), met on Tuesday evening to discuss their parties' relationship.

As the Social Democrats' new leader, Mr Lafontaine is seeking a way to forge closer links with the PDS, in an attempt to form a loose leftwing alliance for the 1998 election campaign. But by doing so, he runs the risk of alienating the centre vote and playing into the hands of the governing conservatives.

Mr Lafontaine sought to establish how far the PDS had distanced itself from its communist past, what its attitudes were towards those who suffered under that regime, and where the party stood on social and economic issues. The discussions also included one of the most sensitive issues: the way in which the Communists forcibly merged the SPD in 1990, ensuring the destruction of its political base throughout eastern Germany. This partly explains why the SPD has failed to build a grassroots party in eastern Germany since reunification and why the PDS has been able to establish itself as a rival.

Judy Dempsey, Berlin

## Dutch fined over price fixing

The European Commission has fined FNE, the Dutch crane rental federation, Ecu11.5m (\$15.2m) for illegal price fixing over more than 12 years. The investigation followed complaints from Dutch and Belgian companies in January 1992. According to Brussels, the FNE's 200 members represent two-thirds of Dutch companies active in crane rental.

A fine of Ecu300,000 has also been imposed on the Dutch authority which registers crane companies, mainly because of its illegal practice of forbidding the sub-letting of cranes. The Commission said it opposed any registering procedure that in practice had nothing to do with the quality of products, their distribution or production.

Emma Tucker, Brussels

## ECONOMIC WATCH

## German wholesale prices fall

German wholesale prices fell 0.4 per cent in October compared with the same month last year, the first such fall in almost two years and further evidence that inflation is slowing. Analysts said consumer prices should be lower in November but warned that these improved figures were unlikely to influence the Bundesbank council which meets today to discuss interest rates.

Compared with September the figures were 1.4 per cent lower, helped by an "extraordinary" 12 per cent fall in the price of raw coffee and a 7.3 per cent decline in the price of fresh fruit. Smaller falls in the price of heating oil (down 3.8 per cent month-on-month) and petrol (down 2.1 per cent) were normal seasonal developments, analysts said. Wholesale prices last fell on a year-on-year basis in January 1994.

The October figures are the first time that the Federal Statistics Office has calculated wholesale prices for the whole of Germany using 1991 as the new base year. Previously, prices were calculated just for western Germany using 1985 as the base year.

■ Ireland's seasonally adjusted trade surplus narrowed to US\$47m (\$568m) in June from US\$88m in May, provisional figures show.

## Strike could derail Juppé's reform ambitions

The French government appears to be heading at high speed for a test of strength, writes John Ridding

While many of France's sleek Trains à Grande Vitesse lie idle in depots across the country, Mr Alain Juppé's conservative government has moved at high speed towards a test of strength.

A strike by workers at the state-owned SNCF rail network has intensified over the past week and has emerged as a serious challenge to the Gaullist prime minister and his administration's reformist ambitions.

The stakes go beyond the railway lines. France's rail workers are at the front of a broad wave of protests against Mr Juppé's austere policies, testing his ability to push through vital economic and social reforms. Their action raises the question of whether the government has miscalculated in fighting on too many fronts.

If the government fails to resolve the rail dispute, which erupted over government plans to restructure SNCF and to overhaul the national welfare system, it risks fuelling broader opposition from public sector workers and students. But if it makes concessions to secure industrial peace, it could lose support in financial markets. This is needed for the Bank of France to cut interest

rates, stimulate the flagging economy and enable the government to achieve the budgetary goals required for European monetary union.

It is a delicate balance, which Mr Juppé's administration is struggling to negotiate. Few would argue with the claim by Mr Bernard Pons, the transport minister, that reform at SNCF is urgent. "It is the most subsidised and loss-making company in France," he said earlier this month, pointing to total state financial support of FF85bn (\$12.5bn) a year and forecast losses of more than FF11bn for 1995. But in tackling such an obvious target for a government pledging fiscal responsibility, the government has taken risks.

The first concerned the timing. Proposed rail reforms, including the transfer of responsibility for loss-making lines to regional authorities and productivity measures for the SNCF's 180,000 staff, inflamed restive rail unions just as Mr Juppé was unveiling plans to eliminate the country's FF60bn annual welfare deficit.

At SNCF, where train drivers have the option of retirement at 50 - a legacy of the arduous days of steam engines - welfare provisions are as jealously guarded as the statutes which



French high-speed trains go nowhere very fast as the rail strike entered its sixth day yesterday

govern their working practices. Anger at the perceived assault on their *acquis sociaux* or acquired social rights combined with ire over the proposed rail reforms.

"Mr Juppé spent his first six months as prime minister under attack for not doing enough," says one political analyst. "Now he is taking everything on at once."

The government and the SNCF also appear to have misjudged the strength of worker sentiment. "There is a lot of

moving in our favour," says one MP from the centre-right majority. He points to the muted support from public sector employees for Tuesday's protests.

"This message has not been lost on the government, which is seeking to defuse the rail strike. Presenting the financial plan for SNCF for the period 1996-2000 on Tuesday evening, Mr Pons pledged that workers' statutes will not be amended. Although from 1997 debt relief will be linked to improved profitability, the government will next year assume more than a fifth of SNCF's FF175bn debt irrespective of the company's performance. "There are no conditions," Mr Pons told the National Assembly.

Such measures have prompted concern in the financial community. "This smacks of a bail-out," says one economist at a London-based merchant bank. "The risk is that a precedent is set in making concessions."

Trade unions do not see it like that, angrily rejecting the rail contract. "It is a hateful blackmail," blasted the CGT, referring to the link between debt relief and profitability. The CFDT condemned the measures as insufficient, comparing them with debt relief of FF38bn in 1990, and warned of

a hardening in the dispute.

Faced with this response, the government and SNCF are pursuing a double strategy of reassurance and firmness. "Of course the railwaymen will continue to have a specific retirement scheme," said Mr Jean Bourguignon, SNCF's president, in an attempt to ease employees' fears. Some unions, notably the FGAAC, warned to the financial elements of the plan, raising hopes of progress with more moderate labour organisations.

But the government also pledged to stand its ground. "The hour for real reforms has tolled," said Mr Juppé. "We have presented our plan. There can be no going back," added one official. He dismissed parallels with the strike at Air France in 1993 when a previous government was forced to withdraw recovery measures, torpedoing its reformist credentials.

Another precedent, the 1986-87 rail strike, is similarly worrying. A repeat of the month-long stoppage would provide a focus for discontent and further weaken France's flagging economy. Mr Juppé's administration will have to show toughness, and skill in its dealings with the unions, if it is to resolve the dilemma on the railways.

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## NEWS: INTERNATIONAL

Naval experts' recommendations are rejected

## Higher ferry safety standards agreed

By Charles Batchelor, Transport Correspondent

The International Maritime Organisation yesterday agreed higher safety standards for roll-on/roll-off ferries, and decided to allow member states to impose even higher standards if they wished.

The IMO, a United Nations agency, decided ferries will have to be constructed so that they remain afloat even with 50 centimetres of water on their car decks.

But the organisation, following 10 days of debate, was unable to agree on tough but costly international design standards sought by naval architects and it is still unclear how many countries will join regional agreements such as one planned for northern Europe. Marine safety experts from a group of north European countries are to meet in Sweden next week to begin discussions on a regional accord.

The agreement also failed to match up to early expectations of rapid and decisive action following the sinking of the Swedish ferry Estonia in the Baltic

in September last year with the loss of 900 lives. The IMO set up a special ferry safety panel to cut through the normally lengthy procedures involved in passing new rules.

The panel produced its recommendations last May, calling for measures such as internal car deck partitions or bulkheads and additional buoyancy features.

Mr William O'Neil, secretary general of IMO, said he was "not disappointed" at the progress made, although several countries said they hoped that the failure to reach an international agreement on ferry safety would not set a precedent for other issues to be considered by the organisation.

Lord Goschen, UK shipping minister, described the agreement as "a significant first step" in the development of higher ferry stability standards. "The IMO resolution paves the way for regional agreements on higher standards," he said.

The UK had been pressing for an international agreement or, failing that, a regional accord. But Europe-wide agree-

ment on tougher standards was opposed by several Mediterranean countries on the grounds that weather conditions were less severe than in the North Sea and the Baltic.

However, the threat of a stand-off between France and the UK was averted when France agreed to the voluntary introduction of tougher safety standards.

The resolution calling for tougher ferry standards was proposed by Denmark, France, Italy, Norway, Spain, Sweden and the UK. It was not put to the vote but was approved "by consensus" and is expected to also win the support of countries such as Ireland, Finland, Belgium, the Netherlands and Germany.

The IMO also approved the application of current safety standards, known as the Safety of Life at Sea or SOLAS 90 convention, to all existing ferries. These rules initially were only applied to vessels built after 1990 although a group of 13 north European countries, led by the UK, decided in 1993 to apply them to existing ships.

## Tutu to head South Africa's 'truth body'

By Roger Matthews in Johannesburg

Archbishop Desmond Tutu, Nobel peace prize winner and head of the Anglican Church in South Africa, was yesterday appointed chairman of the controversial Truth and Reconciliation Commission which will consider applications for amnesties relating to human rights abuses committed dur-

ing the political struggle against apartheid.

Mr Jakes Gerwel, the cabinet secretary, said the appointment was "an important step in the historic process of coming to an understanding of the past, of reconciliation, and the reconstruction of this once deeply divided and conflict-ridden society".

President Nelson Mandela said in July, when the act set-

ting up the commission was passed, that only by knowing the truth about the past could South Africans hope to heal "the terrible open wounds that are the legacy of apartheid".

Members of the National Party fear the commission will turn into a witch hunt against former ministers and members of the security forces.

More than 2,000 applications for amnesty are awaiting the

Truth Commission when it begins work early next year. Archbishop Tutu, who regularly clashed with police during his vigorous campaign against apartheid, will oversee the work of three committees. The first will investigate gross violations of human rights which include killing, abduction and torture. The second will consider applications for amnesty and the third will

recommend appropriate reparation for victims.

The hearings will be in public, unless the commissioners decide this would not be in the interests of justice or might lead to violence against those giving evidence. Amnesties will be granted only if the commission is satisfied there has been a full disclosure of all facts and that no personal gain or malice was involved.



Demonstrators in Johannesburg yesterday were among many across South Africa observing a minute's silence for victims of violent crime. About 50 people a day are murdered there

## Egyptians vote amid tough restrictions

By James Whittington in Cairo

Egyptians voted yesterday in the country's first parliamentary elections in eight years in which the main opposition parties are competing.

A record 3,980 candidates and 14 political parties vied for 444 seats in the parliament, which traditionally plays a minor role in the direction of government legislation but is one of the few institutions in which those who oppose the government can have their voices heard. Up to 21m Egyptians could vote but turnout is usually low.

In spite of the seemingly stiff competition, government officials remained confident of a landslide victory for the ruling National Democratic party, which hoped to retain its two-thirds majority in the house. Results are due today.

Nearly all opposition groups boycotted the last ballot in 1990, claiming that the election procedures were unfair. Since then many Egyptians have become disillusioned with the lack of political change during President Hosni Mubarak's 14 years in power.

Diplomats in Cairo jokingly refer to Mr Mubarak's "pharaonic tendencies". They say that having successfully turned most of the Islamist militants out of the main cities and tourist sites, and having survived an Islamist assassination attempt in Ethiopia in the summer, he has become ever more concerned with consolidating his government's position rather than risking instability and further violence by pursuing further reforms.

As a result, the run-up to the poll was characterised by government pressure on its critics and opposition groups, a ban on public gatherings, and a new press law that imposes harsh penalties for criticising public figures.

Many candidates complained yesterday that their agents were prevented from entering polling booths to monitor the procedures and there were widespread allegations of electoral abuses.

The government's toughest action has been directed against the country's largest opposition group, the Muslim Brotherhood, which, like the militants, is seeking to turn Egypt into an Islamic state. Although officially banned

as a political entity in 1954, the Brotherhood has continued to be an important social and political force in the country.

Until recently Mr Mubarak had a tolerant attitude toward the movement's mainly charitable activities in an attempt to use its members as a moderating force against the Islamist militants. The movement is well organised and has notched up a string of successes in professional association and student elections.

But after a wave of hundreds of arrests, a military court last week sent 54 prominent members of the Brotherhood - many of whom had hoped to stand for parliament - to between three and five years in jail. It also closed the group's Cairo headquarters. Both measures seemed to have been specifically aimed at reducing its chances at yesterday's polls.

Diplomats say the move against the Brotherhood is an attempt to curb an increasing Islamic trend in Egypt.

High levels of unemployment, poverty and illiteracy have created an ideal breeding ground for the battle cry of "Islam is the Solution".

The Brotherhood stands accused of not only sharing the same aim but supporting the Islamist militants who have been trying to overthrow the government through violence.

To underline this, anyone running under the Islamic banner in yesterday's poll was given the symbol of a gun or sword by election organisers.

In previous parliamentary elections the Brotherhood got round its ban by running candidates under the wing of official parties, such as the Labour party in 1987.

This time, despite government harassment, it ran 160 candidates as independents, compared with 339 candidates run by the NDP and 150 standing for the other main opposition group, the Wafd party.

The majority of other candidates were independents, many of them members of the business community. Meanwhile, Mr Mubarak has already ruled out any changes to his cabinet and government's policies.

"Any change after the parliamentary elections is not on the agenda... Too much change does not lend itself to stability," he said in a TV interview on the eve of the poll.

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## INTERNATIONAL NEWS DIGEST

## Europe pressed on Mideast bank

The Clinton administration yesterday urged its European partners to join it in subscribing capital for a Middle East Development Bank which is intended to shore up the peace process by promoting cross-border projects.

Mr Lawrence Summers, deputy Treasury secretary, said the administration would ask Congress for about \$280m (£167m) over five years, starting in fiscal 1997, to make up the US government's 21 per cent share of the bank's paid-in capital.

A quarter of the bank's total capital of \$5bn must be paid up. At least 16 other countries have agreed in principle to contribute capital to the Cairo-based institution, but 25 per cent of the shares are reserved for countries such as Britain, Germany and France which have not so far offered support.

Mr Summers said countries aspiring to be players in Middle Eastern diplomacy should play their part in funding the bank, which aims to support infrastructural projects such as roads, telecommunications and irrigation. Bruce Clark, Washington

## Algeria frees Islamic militants

The Algerian government has closed a desert prison camp in Ain Amquel and freed all the Islamic militant prisoners there, the Algerian news agency (APS) said yesterday. The interior ministry announced the closure just hours after suspected militants assassinated the first general to die in the four-year fight between them and the army-backed government.

It gave no figure for those released but human rights activists and lawyers said hundreds of militants were detained there. Some estimated there were about 700 prisoners. Ain Amquel was one of several camps the Algerian authorities opened in 1992 when the conflict started. Reuters, Paris

## Cairo summit agrees on refugees

A two-day African summit on Rwanda ended in Cairo yesterday with the presidents of Rwanda, Burundi, Uganda, Zaire, and a Tanzanian envoy, agreeing to do all they could to encourage Rwandan refugees to return home.

At a press conference hosted by former US president Jimmy Carter, who initiated the summit, the five countries said there would be no forcible repatriation of refugees. Earlier, Zaire had set a tentative date of December 31 after which it would force its 800,000 refugees to go home. James Whittington, Cairo

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## NEWS: THE AMERICAS

## Offer to trade defence bill for Bosnia mission

By Bruce Clark in Washington

The Clinton administration has provisionally offered to let through a \$243bn defence appropriations bill, which it had previously described as \$7bn too high, in return for co-operation from Congress in funding the despatch of troops to Bosnia.

The idea was floated as the White House wrestled with the twin problems of reaching a compromise over the 1996 budget as a whole, and overcoming the legislature's objections to the Bosnia mission.

On the broader budget issue, White House and congressional officials will meet every day this week in hope of avoiding another crisis when the latest "continuing resolution" to keep the government functioning expires on December 15.

Under the proposed Bosnia compromise, Mr Clinton would hold back from vetoing the defence appropriations bill and postpone detailed arguments about how the money would be spent.

The compromise would be linked to an understanding that the administration could use some of the money to fund the Bosnia mission, the cost of which the White House estimates at \$1.5bn, and divert up to \$2bn for non-military domestic spending. The proposal is likely to be viewed with suspicion by those Republicans who believe the cost will be far higher than the administration is admitting.

Before its latest proposal, the White House had criticised Congress for insisting on higher defence spending when vital social programmes were being cut.

House Republican aides described the latest White House proposal as a substantial shift in Mr Clinton's position. "It has brought the defence appropriations bill

back from the dead; we will probably get some programmes and projects we would not have had otherwise," said one.

Congress wants the extra military funding to pay for continuing production of the B-2 bomber, a ballistic missile defence system, a new amphibious assault ship, a new



Dole: 'chances are 50-50'

amphibious transport ship and six more fighter aircraft.

Under the compromise, Congress would still secure up to \$4bn more military spending than the White House originally wanted. The deal could spare Republican legislators the embarrassment of explicitly endorsing the Bosnia mission when many say they are being deluged with calls from voters who oppose the deployment.

On the wider budget stand-off, Mr Bob Dole, Senate majority leader, has estimated at 50-50 the chances of reaching a compromise by the end of this year. However, Mr Mike McCurry, White House spokesman, has warned that differences of principle exist over spending priorities which may never be resolved during the Clinton presidency.

## OECD says US achieved 'soft landing'

Fed's pre-emptive strike against inflation is thought to have worked, writes Michael Prowse

The US will enjoy moderate growth, low inflation and near full employment next year, the Organisation for Economic Co-operation and Development said yesterday in a generally favourable assessment of US economic prospects.

The Paris-based group said the Federal Reserve - the US central bank - appeared to have achieved a "soft landing" after its pre-emptive strike against inflation last year. After a pause earlier this year, the economy was likely to grow at an annual rate of about 2.5 per cent in 1996, reflecting a moderate expansion of consumer spending. The jobless rate was likely to stay below 6 per cent.

The Fed cut interest rates by a quarter point to 5.75 per cent in July and financial markets expect further modest cuts if the Congress and White House reach agreement on a deal to balance the federal budget. However, the OECD said a cautious monetary stance now seemed desirable. Further rate cuts "might ultimately prove inappropriate and could need to be quickly reversed". The Fed needed to show "vigilance against any return to inflationary tendencies".

The OECD said this year's decline in long bond yields,

rise in share prices and low levels of unemployment would buttress consumer spending over the next 18 months. The expansion would continue to be led by corporate investment, reflecting the "healthy condition of business balance sheets". However, the rate of growth of investment would slow somewhat from the double-digit pace of the recent past.

Export growth would be robust, reflecting renewed strength of overseas markets, economic recovery in Japan and improved financial conditions in Mexico. But imports were likely to grow less vigorously owing to a slower expansion of US domestic demand. The current account deficit was thus likely to decline slightly - to \$164bn against \$171bn this year.

The report was optimistic on the outlook for prices, predicting at worst a slight increase in the underlying rate of consumer price inflation next year to 2.5 per cent compared with 2.3 per cent this year. This business cycle had seen much less upward pressure on wages and prices than was typical in previous upturns, the OECD said.

Other encouraging features included a larger than normal reduction in the structural

US ECONOMIC OUTLOOK*					
	1994	1995	1996	1997	1998
Private consumption	3.5	3.0	2.8	2.9	3.2
Government consumption	-0.7	-0.5	-0.6	-1.0	-0.5
Gross fixed investment	12.5	9.0	8.4	12.2	15.7
Exports of goods and services	8.0	10.5	9.7	8.6	7.5
Imports of goods and services	13.4	10.7	7.1	10.3	7.4
GDP at constant prices	4.1	3.0	2.5	2.9	3.2
Unemployment rate %	6.1	5.7	5.3	5.6	5.3
Three-month T-bill rate %	4.2	5.5	5.4	5.7	5.4
10-year Treasury note rate %	2.1	6.7	6.2	7.1	6.4
Current account balance	-151	-171	-164	-164	-164
Per cent of GDP	-3.7	-5.4	-6.5	-5.6	-5.1

\*Percentage change from previous period. For private consumption and other figures related to GDP, seasonally adjusted. For unemployment rate, 1997 figures are estimates. All data are preliminary unless otherwise stated.

budget deficit, which had been significant in preventing overheating and thus extending the life of the recovery.

The report welcomed efforts by Congress and the White House to reduce the federal budget deficit and emphasised the dire long-term consequences of failing to address likely deficits on social security (publicly funded pen-

sions) and healthcare. If no action were taken, the OECD said, the budget deficit would increase from 2.3 per cent of gross domestic product this year to 12 per cent in 2000. The ratio of debt to GDP would rise from 52 per cent to 160 per cent over the same period.

However, the debt-to-GDP ratio could be stabilised at cur-

rent levels provided spending reductions or tax increases equivalent to about 7 per cent of GDP were phased in over the next 35 years. The annual deficit reduction required - about 0.3 per cent of GDP - was approximately half as large as proposals recently adopted. But to be effective, fiscal restraint would have to be persistent over a prolonged time period.

While supporting the goal of balancing the federal budget, the report rejected many of the policies championed by the Republican-dominated Congress. The final outcome of current negotiations would "most likely weaken the social safety net".

The savings policies would not address many pressing structural problems including "the low level of public investment in infrastructure, the uneven access to healthcare insurance, failures in primary and secondary education and high rates of social exclusion in urban areas".

The OECD attacked plans to shift responsibility for many social programmes to the states, arguing that lower tiers of government "will face clear incentives to trim the benefits they offer, thereby aggravating worsening income inequality trends. Further reducing the

federal government's economic role will also curtail its ability to buffer regional shocks."

An analysis of US tertiary education and workforce training reached generally positive conclusions. The proportion of Americans completing university education, at 27 per cent, was twice the OECD average. The proportion of adults reporting some form of work-related education, at 38 per cent, was also high by international standards.

The US system of "highly decentralised control, strong competition and heavy use of market testing of services in public universities" was in some respects a more suitable model for adult education than the German "dual system" of company-based apprenticeships.

In general, adults with the inclination and resources "can avail themselves of a wealth of relatively high-quality training and general education services". However, the system, for all its strengths, failed to work because many people were unwilling or unable to seize the opportunities available. This failure, however, was a symptom of a broader failure of the US "social" model rather than of adult education and training per se.

## British Gas in Falklands study

By Robert Corzine

British Gas and YPF, Argentina's largest oil company, have become the first international energy groups to announce publicly an interest in exploring for oil and gas around the Falkland Islands in the South Atlantic.

The two companies, partners in the Transgas project to supply Argentina natural gas to Chile, say they will undertake a joint study of seismic data on the exploration blocks being offered by the government of

the Falkland Islands. If their findings are positive, the two companies may make a joint bid next year for specific offshore areas. The licensing round, announced last month, is to close next July.

Officials from the islands' government have already said that they will look favourably on applications involving an Argentine partner because "Argentina would be less likely to interfere if their companies were involved".

British Gas will lead the joint study group, but costs

will be shared. YPF will also contribute data it has from exploration in Argentine waters near the Falklands.

If the two companies decide to bid for acreage, British Gas will have a 51 per cent stake, with YPF having the remaining 49 per cent.

Under the terms of the licensing round, Argentine companies may have no more than 49 per cent of any winning consortium. Also, Argentine companies such as YPF will not be allowed to operate drilling rigs or production platforms

around the Falklands.

Mr Howard Dalton, head of British Gas's exploration and production arm, said the company's interest in the Falklands was a natural extension of its growing activities in South America.

Promoters of the oil and gas potential of the Falklands point to seismic studies indicating that reserves could rival those of the North Sea. But there is little detailed examination of the seismic data so far, and no exploration wells have been drilled.

## Mexico to probe finances of Salinas brother

By Leslie Crawford in Mexico City

The Mexican Congress has voted to set up a commission of inquiry to investigate the rapid enrichment of Mr Raúl Salinas while he was a civil servant during the presidency of his younger brother, Mr Carlos Salinas. The latter left office a year ago.

This is the first time the Congress has decided to investigate a senior political figure. The question is whether the present administration of President Ernesto Zedillo will be able to confirm the investigation to Mr Raúl Salinas's activities or whether the inquiry will become a much wider probe into corruption within the previous government, in which Mr Zedillo and most of his cabinet served.

Mr Raúl Salinas was jailed in February while facing charges of having masterminded the assassination of the leader of the ruling Institutional Revolutionary Party in September 1994. Last week, as the prosecution's case appeared to

founder, the attorney general's office decided to press new charges against him - of forgery and illicit enrichment.

Mr Raúl Salinas's wife, Patricia Castañón, was arrested in Switzerland this month as it was alleged, she tried to withdraw \$84m from bank accounts her husband held under a false name.

Police in Bern said she was being held in connection with a probe of drug trafficking and money laundering. In Mexico, however, the attorney general's office said it had no grounds to suspect that Mr Raúl Salinas's wealth had been derived from drugs. He maintains that he obtained the money legally.

The Mexican government has made public Mr Raúl Salinas's income statements for the years in which he served as a director of Comasupo, the government's maize marketing board. In 1988-89, Mr Salinas accumulated more than 20 properties in Mexico. His tax declarations did not include foreign bank accounts. *Sound issue, Page 21*

## Aristide rejects call to remain in office

By Catherine James in Kingston

President Jean-Bertrand Aristide of Haiti has ended speculation about his political future by saying he will step down in February and hand over to the winner of elections scheduled for December 27.

The president's commitment to honour the constitution, which prevents consecutive terms, follows his statement late last week that he was considering a demand from supporters that he stay on after February because he had been "robbed" of three years while he was exiled following a military coup. Fr Aristide was re-instated just over a year ago.

"I am leaving on February 7," he told a local newspaper in an interview published yesterday. His likely successor is Mr René Prélval, a former prime minister who is supported by the Lavalas political coalition which backs Fr Aristide, and which controls the legislature. Fr Aristide's commitment to step down in February follows increasing concern in Washington about his plans. Mr Wil-

liam Perry, US defence secretary, and Ms Madeleine Albright, US ambassador to the United Nations, said at the weekend that they were confident Fr Aristide would permit his successor to be elected next month.

The US administration is worried about the possibility of the president bending to the wishes of his supporters and staying on, saying this would have discredited last year's international efforts, mainly the US military intervention, to restore the exiled leader. "We can say that Washington's concern was passed on to important ears in Haiti over the past few days, and that this was relayed to Fr Aristide," said one diplomat in Port-au-Prince, Haiti's capital.

Fr Aristide's decision does not mean an end to his involvement in Haitian politics. He plans to stand for the presidency in the election in 2000, his aides said. Fr Aristide will also be an influential force behind the scenes in the likely event that Mr Prélval is elected next month.

## AMERICAN NEWS DIGEST

## Colombia plans power sell-off

Colombian government officials are this week discussing with European power generation companies plans to privatise about a third of the country's electricity generating capacity, which could raise as much as \$2bn to \$3bn.

Mr Leopoldo Montañez, Colombia's deputy minister of energy, said in London the aim was to sell off 10 existing power stations by auction next year. The plants generate 3,445 MW out of a total Colombian capacity of 10,300 MW.

With the privatisation of other generation capacity in the capital, Bogotá, and new private power stations coming on stream, the government estimates some 60 per cent of the country's generating capacity could be private in a couple of years. Of the plants to be privatised, under a law passed in 1994, two use coal, four gas and four hydro-power.

Colombian officials are talking in London with officials from five companies - Powergen, International Hydro, Iberdrola, Tractebel and National Power. Similar discussions are planned in the US and Canada. Kleinwort Benson and Salomon Brothers have been advising on the privatisation.

The government estimates annual growth in electricity demand at some 6 per cent, and is seeking to use new private power plants, to be commissioned over the next five years, so as to avoid the sort of power shortages caused recently by droughts through an over-reliance on hydroelectric power. *Stephen Fidler, London*

## Securities law change nearer

Legislation to reduce litigation in the US securities industry moved another step towards enactment late on Tuesday, when a conference committee of both chambers of Congress passed a compromise bill. It is now expected to be voted on by each chamber early next week, and go for presidential signature.

The aim is to encourage companies to provide more information to investors, by reducing the risk of their facing "frivolous" law suits. The bill's provisions have found favour with the US Securities and Exchange Commission.

The bill was amended during congressional conference, in particular to meet concerns over the "safe harbour" provisions, by which companies may make forecasts without facing lawsuits if these prove incorrect. The new version of the bill would free forecasts from being actionable, so long as they were "accompanied by meaningful cautionary statements" which identify risk factors. Statements made in connection with an initial public offering would not be covered. *Maggie Urry, New York*

## Auto workers vote on contract

United Autoworkers Union members in the US will vote during Saturday and Sunday on a new labour contract offered by Caterpillar, the US heavy equipment maker. If the contract is approved, it will end a bitter 17-month strike against the company by the union.

Caterpillar and the UAW would not comment on the terms of the contract, but analysts believe it would be for six years - twice as long as most UAW contracts. They also said that Caterpillar's offer seemed to differ little from that put to the union two years ago. Then, Caterpillar sought a two-tiered wage structure and more flexibility on rules, saying it needed this to remain globally competitive. *Laurie Morse, Chicago*

## HDTV standard recommended

A high-level US committee has recommended a federal standard for high-definition television, which will offer film-like clarity and sound to rival that of compact discs.

The high-definition system, proposed by a group of companies known as the Grand Alliance, is "superior to any known alternative system in the world," the Federal Communications Commission was told this week by the advisory committee. The proposal was the only one considered.

Members of the alliance are AT&T, General Instrument, the Massachusetts Institute of Technology, Philips Consumer Electronics, the David Sarnoff Research Center, Thomson Consumer Electronics and Zenith Electronics.

Various legal steps remain before the US government would establish the system as the standard for television manufacturers and broadcasters selling equipment in the US. Congress also is considering legislation. *AP, Washington*

## America speeds up

The speed limit on US roads is to be raised, after President Bill Clinton's decision to sign the "pedal-to-the-metal" bill that abolishes the national 55 mph limit. From the end of next week, states will be free to set their own limits. At least one state - Montana - will have no day-time limit at all.

The 55 mph limit was imposed by the federal government in 1974 as a fuel-saving measure. In 1987, there was a slight relaxation when states were allowed to raise the limit to 65 on rural highways that met inter-state standards, but western states in particular argued that their wide open spaces and light population densities made such low speeds unnecessary. Now, limits will rise to 75 mph in Kansas, Nevada and Wyoming, and to 70 mph in California, Missouri, Oklahoma, South Dakota and Texas. *Richard Tomkins, New York*

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The Extraordinary General Meeting of Shareholders held on 27 November 1995, resolved among others:

- to approve the liquidation account;
- to declare as final dividend the interim liquidation dividend of USD 14.71 per share, resolved by the Extraordinary General Meeting of Shareholders held on 28 July 1995;
- to approve the closing of the liquidation;
- to retain the books and records of the SICAV for a period of five years with KRENETRUST, 11, rue Aldringen, Luxembourg;
- to instruct the liquidator to deposit any monies which could not be distributed until 27 November 1995, with the "Caisse de Consignation", Luxembourg.

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Liquidator

## CONTRACTS &amp; TENDERS



**GMPTE MANCHESTER METROLINK**

Applications are invited from suitably qualified companies to undertake the design, construction and installation of a new light rail system in Manchester, UK.

The system currently comprises a link from Altrincham to G-Mex in the south of Manchester, a link from Salford to Victoria in the north of Manchester with connections to the City Centre and Salford Quays. The system will be operated by Metrolink.

The design and build elements will comprise the construction of a new link from the existing system to Salford Quays and potentially to Eccles Town Centre and will include trackwork, construction of civil engineering structures, provision of OLE, signalling and control and the provision of additional light rail vehicles.

The operating contract will include responsibility for maintaining the infrastructure and all the operating assets which will remain in the ownership of GMPTE in accordance with standards laid down by GMPTE.

The successful tenderer will be expected to fund a significant part of the design and build elements of the extension and GMPTE will pay the balance by way of a cost plus fee on the successful tender.

This sum will be paid by instalments and against certified progress of works for the design and build of the extension.

A single stage tender procedure is to be adopted with tender documentation being available in early March 1996.

The operation and maintenance of the existing system will be available from October 1996. The design and build of the extension should be completed in such a way so as to enable passenger services to operate on the extension by January 1999.

GMPTE is seeking potential tenderers who have the following qualifications:-

1. The strength and capability to raise the necessary funding for the project.
2. The capability of operating and maintaining a major transportation project.
3. Experience in designing and building major infrastructure projects.
4. Proven ability to develop and manage a successful business.
5. The technical capability to manage a design and build contract.
6. Organizational and technical capability to coordinate a multi-disciplinary system involving multiple interfaces with external systems.

Applications will not automatically secure inclusion on the tender list.

A pre-qualification information package will be available to potential tenderers at a cost of £250.

This project has also been advertised through the medium of the Official Journal of the European Communities.

Applications for consideration to participate in the project should be made by midday 24 January 1996, to:-

J.R.Hall, Director of Projects and Infrastructure, 9 Portland Street, Manchester, M1 2JL, UK.  
Telephone: 0161 242 4700, Fax: 0161 242 6255.

## LEGAL NOTICES

**BRAMBLEWOOD GROUP LIMITED**  
BRAMBLEWOOD GROUP LIMITED  
(In administrative receivership)

NOTICE IS HEREBY GIVEN pursuant to section 48(1) of the Insolvency Act 1986, that a meeting of the creditors of the above named company will be held at The Grand Hotel, 100, Strand, London, WC2R 2EZ, on the 14th day of December 1995 at 11.30 o'clock in the forenoon, for the purpose of having laid before them a copy of the report prepared by the administrative receiver under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it by, or under the Act.

Creditors are only entitled to vote if:

- (a) they have delivered to us at the offices of Robert Rhodes, Centre City Tower, 7 Hill Street, Birmingham, B2 4DU, no later than 1200 hours on the business day before the meeting, written details of the debts they claim to be due; and the claim has been duly admitted under the provisions of the Insolvency Rules 1986; and
- (b) there has been lodged with us any proof which the creditors intend to use on the day.

Date: 13th day of November 1995

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Joint administrative receivers

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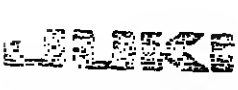
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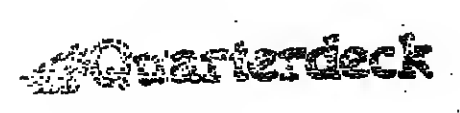
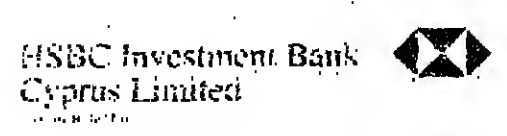


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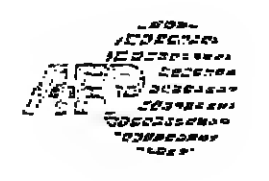
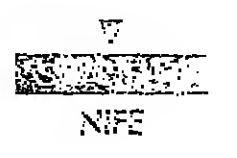
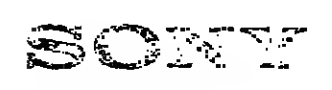
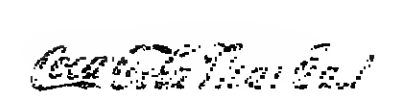
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REUTERS



**"... East is East, and West is West,  
and never the twain shall meet..."**  
Rudyard Kipling



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Europe press  
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NEWS: WORLD TRADE

# WTO names appeal judges

By Frances Williams in Geneva

The World Trade Organisation yesterday named the seven members of its appeals body that will be the final arbiters of international trade disputes.

The choice disappointed the European Union, which considers the regional balance weighted towards Asia-Pacific. The EU and US originally demanded two seats each, based on their share of world trade, but this was rejected by other WTO members.

Mr Jean-Pierre Leng, EU ambassador, told the WTO's dispute settlement body that Brussels would submit proposals to next year's WTO ministerial meeting in Singapore intended to ensure adequate recognition of the EU's trading weight in the appeals tribunal.

WTO rules stipulate that appeals body judges should be "persons of recognised authority" acting in an independent capacity but "broadly representative" of the WTO membership. The part-time judges will be paid a monthly retainer of \$F7,000 (\$6,194) plus a daily fee and expenses.

The seven are:

- Mr James Bacchus, a US lawyer, former trade official and Democratic congressman.
- Mr Christopher Beeby, a retired New Zealand diplomat.
- Prof Claus-Dieter Ehlermann of Germany, professor of economic law at the European University Institute in Florence and former head of the EU's competition directorate.
- Prof Said El-Naggar of Egypt, professor of economics at Cairo University and former World Bank executive director.
- Mr Florentino Feliciano, a Philippines supreme court judge and international arbitrator in investment and commercial disputes.
- Mr Julio Lacarte Muro of Uruguay, former Gatt ambassador and Uruguay's chief negotiator in the Uruguay Round of global trade talks.
- Prof Mitsuo Matsushita of Japan, a law professor at Seikei and Tokyo universities and an expert on international economic law.

# Brittan warns Seoul on shipyards

By John Burton in Seoul

Sir Leon Brittan, the EU vice president, yesterday urged South Korea to remove restrictions on car imports and to end indirect subsidies for its shipbuilders.

Sir Leon was in Seoul to negotiate an EU-South Korean trade and investment treaty, which is expected to be signed next year.

Sir Leon expressed concern about the rapid expansion of

Korean shipbuilding. "We do not believe that the world demand for shipbuilding services is sufficient to meet the supply being provided by Korea," he said.

"The best limitation on such expansion will be the clear recognition and understanding that the Korean authorities will not bail out any company that finds itself in difficulties because it has overestimated demand."

The Korean government in

1989 rescued Daewoo, the country's second biggest shipbuilder, from a threatened collapse posed by mounting losses. Officials then imposed a freeze on shipbuilding expansion until two years ago. Korean shipbuilders plan to more than double production capacity to 8m gross tonnes by 2000 from 4m gross tonnes in 1990.

Seoul has promised not to give financial support or indirect subsidies to shipbuilders once it ratifies a multilateral

shipbuilding agreement sponsored by the Organisation for Economic Co-operation and Development.

Sir Leon also demanded that European carmakers should have greater access to the Korean market.

"Europe exports less cars proportionally to Korea than to other comparable markets. There is nothing special about Korean conditions which makes European cars less suitable here." Only 2,222 Euro-

pean cars were sold in Korea last year, accounting for less than 0.2 per cent of car sales.

Sir Leon blamed the weak car sales on a "combination of cultural, administrative and regulatory obstacles".

As part of the trade pact, the EU is seeking an improved investment climate for foreigners and stronger protection of intellectual property rights. South Korea, in turn, wants an agreement on mutual recognition of product standards.

# AsiaSat launch buoys China's rocket plans

By Alan Cane

The successful launch of the \$300m AsiaSat-2 satellite from Sichuan province in western China opens a new era both for communications in Asia and for China's fast developing aerospace industry.

Following the launch, Beijing yesterday announced aggressive plans to launch 25 domestic and foreign satellites by the middle of 1998.

An executive of the China Aerospace Corporation which launches the country's "Long March" rockets said all components of the launch vehicle were Chinese made. "It functioned very well," he said. "We have already signed contracts for the next three launches and plan to launch 25 over the next 28 months."

There had been some apprehension before the launch. It was the first commercial launch since January this year when a China-backed Apstar satellite blew up aboard a Long March rocket shortly after take-off. China and Hughes

Space and Communications, the satellite manufacturer, blamed the disaster on wind shear.

Among customers left to find alternative vehicles for their transmissions were Ted Turner, Sports Channel, Home Box Office, Discovery Channel and Hong Kong's Television Broadcasts.

AsiaSat-2, which is due to arrive at its final position in space in early December, is the most powerful satellite covering the Asia-Pacific region. "It is much more powerful than anything else up there at the moment," Mr Peter Jackson, AsiaSat chief executive said.

Television viewers within the satellite's footprint, stretching from Moscow to New Zealand, will receive better pictures with a smaller satellite dish.

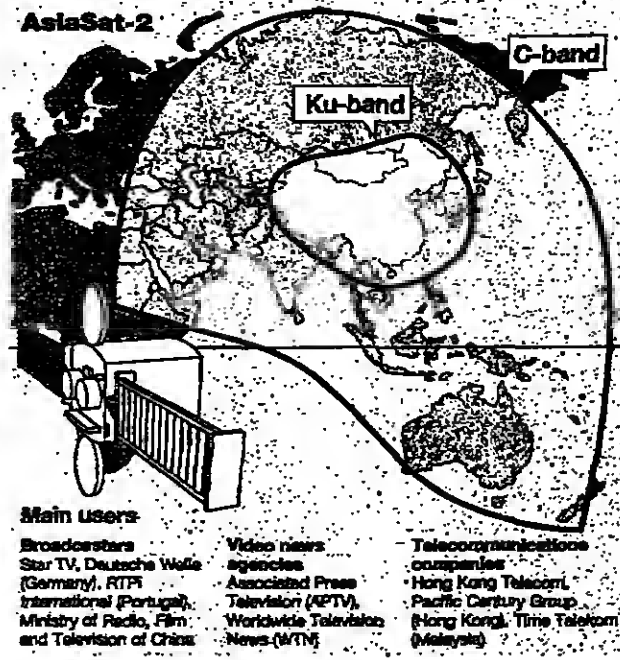
The satellite carries 33 transponders, the electronic devices responsible for receiving and retransmitting communications signals. Twenty-four are C band, transmitting a sig-

nal over a broad area and relatively impervious to climatic conditions. AsiaSat-2's C band footprint covers 53 countries in Asia, the Indian subcontinent, the Middle East, Eastern Europe, Australia and part of the Commonwealth of Independent States.

The nine Ku band transponders operate at lower frequency and are favoured for a form of two-way business communication called VSAT (very small aperture terminals). The Ku-band beam will be focused on China, Taiwan, Korea, Japan and Hong Kong.

The satellite's broadcasting customers, relieved by its safe journey into space, include Star TV, owned by Rupert Murdoch's News International, Deutsche Welle radio and television international from Germany, RTP International TV from Portugal and the Ministry of Radio, Film and Television of China.

Mr Gary Davey, chief executive of Star TV, said: "This occasion is every bit as historic



as the launch of AsiaSat 1 in 1990." The satellite is critical to Star's plans to provide additional channels and services to the Asian market. It will be able to compress digital, or computer language, transmissions from the satellite, increasing the number of channels that can be transmitted.

AsiaSat, is owned equally by Cable and Wireless, the UK based telecommunications group, China International Trust and Investment Corporation and Hutchison Whampoa, the Hong Kong based group. Established in 1988 in Hong Kong, it is Asia's first privately owned satellite operator.

# State broadcaster tightens grip on India

By Shiraz Sidhva in New Delhi

India is to launch the third in the Insat-2 series of satellites designed and built by the government's Indian Space Research Organisation (ISRO) on December 6.

Scientists at the Bangalore-based organisation say the \$60m Insat-2C satellite will be launched by an Ariane

rocket from Kontron in French Guyana.

The Insat-2C is 50 per cent heavier and carries more payload than its predecessors, the Insat-1D (launched in June 1990), the 2A (July 1992), and 2B (July 1993).

The new satellite is powerful enough to reach beyond the Indian subcontinent to eastern Europe, south-east Asia

and Africa.

Doordarshan, India's state-owned television network, uses Insat satellites to beam 17 Hindi, English and regional language channels to more than 250m people in India.

It will move some of its capacity on Insat-2B onto the new satellite. Insat-2C will help the state broadcaster to consolidate its supremacy over pri-

vate international and domestic broadcasters entering the Asian market.

Doordarshan is planning strategic tie-ups with international broadcasters similar to an existing link with CNN, the international news channel.

CNN pays Doordarshan \$1.5m a year to use its satellite platform and shares advertising revenue.

## WORLD TRADE NEWS DIGEST

# Courtaulds wins patents victory

Courtaulds, the UK specialty chemicals group, yesterday won a legal victory in the US with the dismissal of a patent infringement case over its leading new product, Tencel.

Austria's Lenzing, the world's leading producer of viscose fibre, had claimed that the UK company infringed its patent on a part of the process for making Lyocell, a wood-pulp based fibre originally developed by Courtaulds under the brand name Tencel. A US district court dismissed Lenzing's case, invalidating the Austrian group's US patent. However, Lenzing has 30 days to appeal.

In Europe, Lenzing has a case pending with the European Patent Office in Europe. Courtaulds has asked for the patent to be struck out. The UK group has also filed a separate claim in the UK High Court asking for Lenzing's UK patent to be invalidated. The Austrian company has filed a counter-claim. The European and UK actions are expected to be heard in late 1996 or early 1997. *Motoko Rich, London*

# US eases telecom investor rules

The Federal Communications Commission, the US telecoms and media watchdog, has set new ownership rules for foreign companies seeking to invest in the US telecoms services market. The anticipated new rules make it easier for the FCC to approve large foreign stakes in US telecoms companies if the overseas company's home market is already open to competition or is in the process of opening its market.

In the past, foreign investment in a US telecoms company has been limited to 20 per cent directly or 25 per cent if there was an indirect element. Mr Reed Hundt, FCC chairman, said the rule change was designed to encourage liberalisation in foreign markets while making it easier for US companies to attract overseas investment. Next month the FCC is expected to rule on a proposed \$4bn investment by France Telecom and Deutsche Telekom in Sprint, the third largest US long haul carrier and decides when to allow the resulting joint venture, Phoenix, to compete in the US. *Alan Cane*

# Italian video pirates targeted

Record producers are to open a special office in Milan in January to spearhead their campaign to beat piracy in the Italian recorded music industry. The office will be run by IFMI, the national industry federation, and IFPI, the international umbrella organisation for the recording industry, and staffed by anti-piracy specialists. With a budget of \$1m, the campaign will concentrate on enforcing Italian laws against music piracy and raising awareness. Pirated recordings in Italy - on cassette, compact disc and vinyl - have tripled in four years and now account for 44 per cent of pirated recordings in the European Union. IFPI is modelling its operation on the successful anti-piracy unit set up in Spain in the 1980s. *Andrew ELL, Milan*

Kier Group of the UK has won two contracts in Dubai worth \$11.8m (\$18.4m) for repairs at Port Rashid for the Dubai Ports Authority and the construction of a sewer and pump-house for Dubai municipality. The group has also won a \$9m contract for a brine water intake system at the Dead Sea in Jordan for the Arab Potash Company. It has also won a \$7.1m contract to build a new headquarters for the Central Bank of Belize. *Andrew Taylor, Construction Correspondent*

Hydro-Quebec International, owned by Canada's second biggest power utility, Hydro-Quebec, has sold a second power systems simulator to Mitsubishi Electric, Kobe, Japan, for \$35m (\$5.6m). It will be used for developing a pump-storage power distribution system. *Robert Gibbons, Montreal*

# ★ Thank you ★ ★ Europe! ★

On October 20, 1995, a new milestone was achieved in Europe.

Ares-Serono's genetically engineered (recombinant) human follicle stimulating hormone, became the first pharmaceutical product to receive simultaneous approval in the 15 member countries of the European Union through the new centralised European approval procedure. This drug will be used in the treatment of infertility.

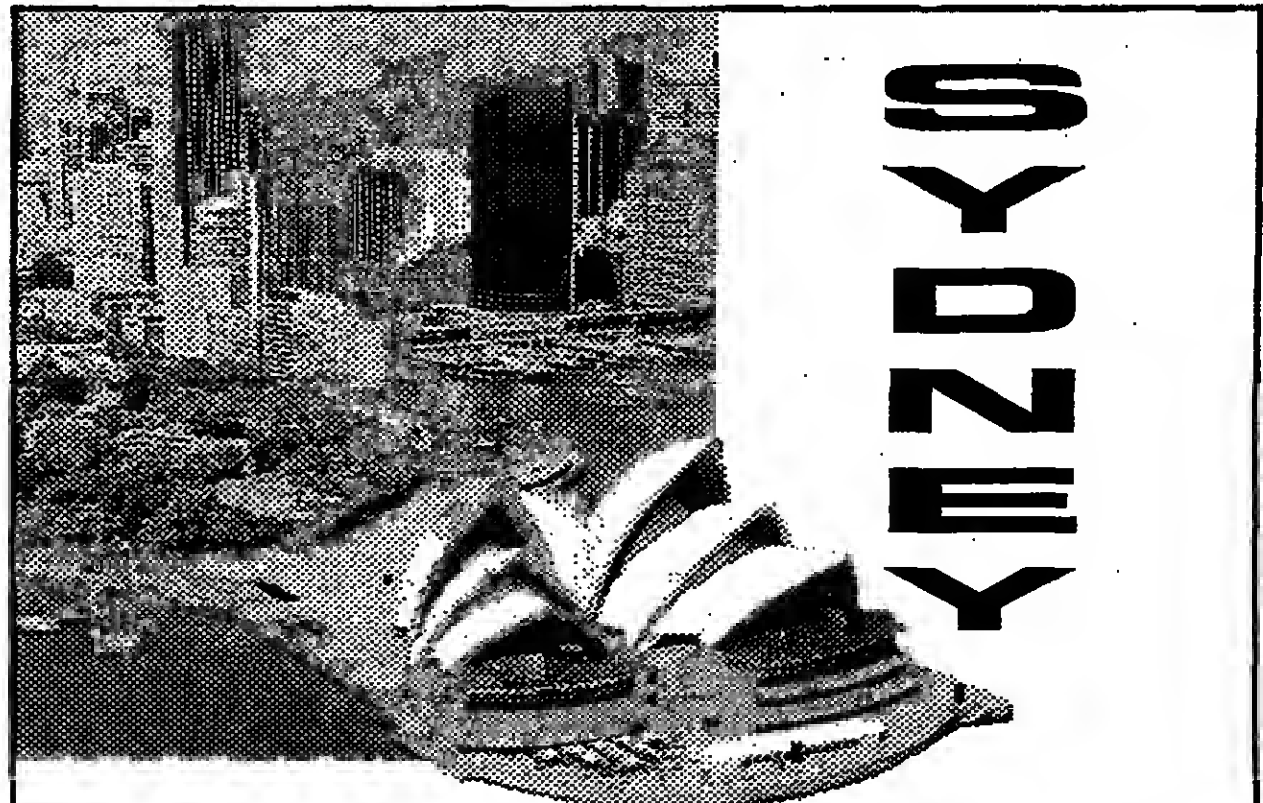
A Swiss pharmaceutical company, Ares-Serono is the world leader

in the treatment of infertility. Its R & D pipeline is rich with seven recombinant products with applications in the areas of infertility, growth, metabolism and immunology/oncology.

Today, we would like to thank employees, researchers, health authorities, doctors, patients and everyone who contributed to the birth of our recombinant human follicle stimulating hormone. Ares-Serono's expertise in biotechnology has opened a new era in the treatment of infertility.



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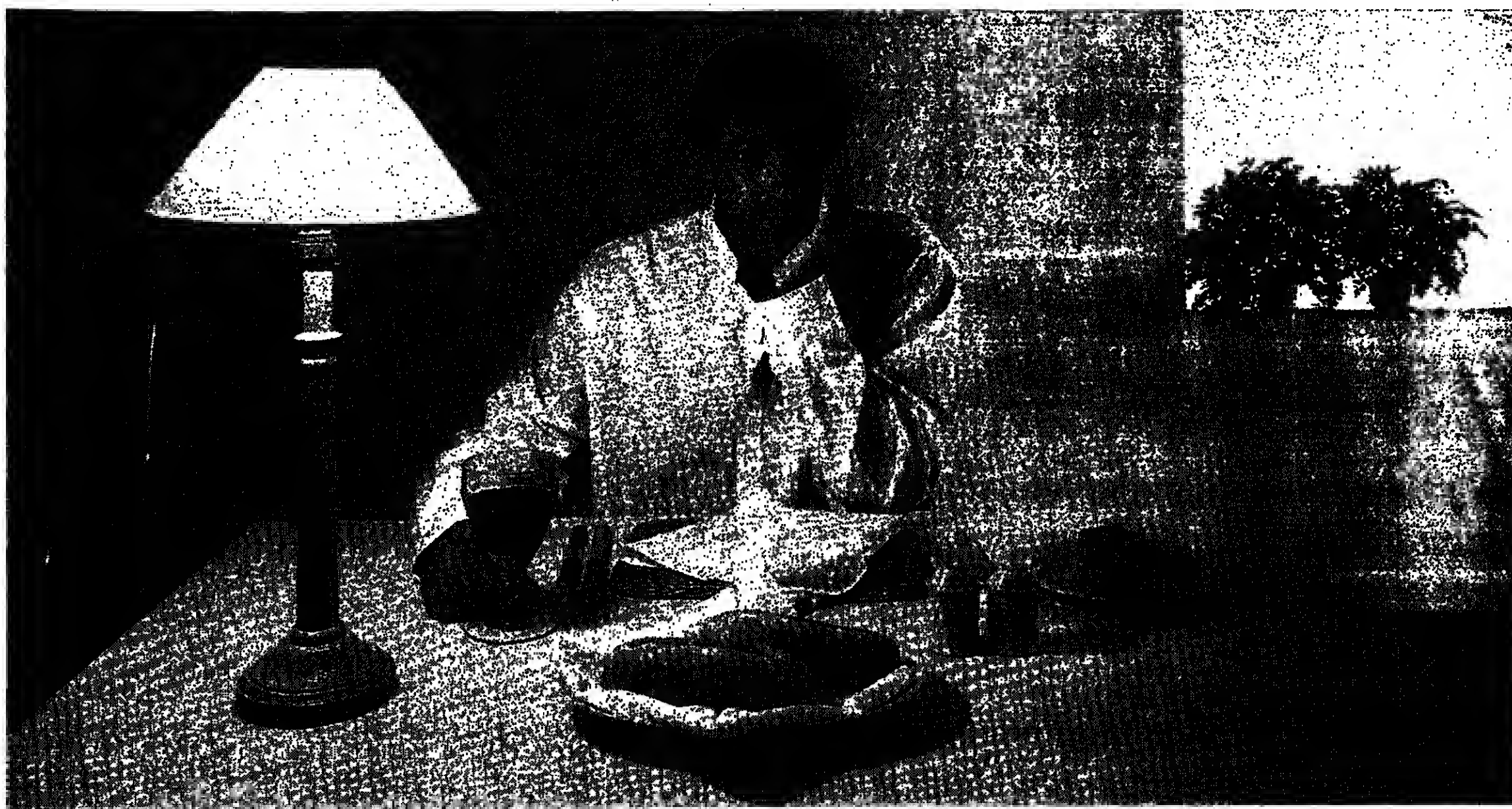
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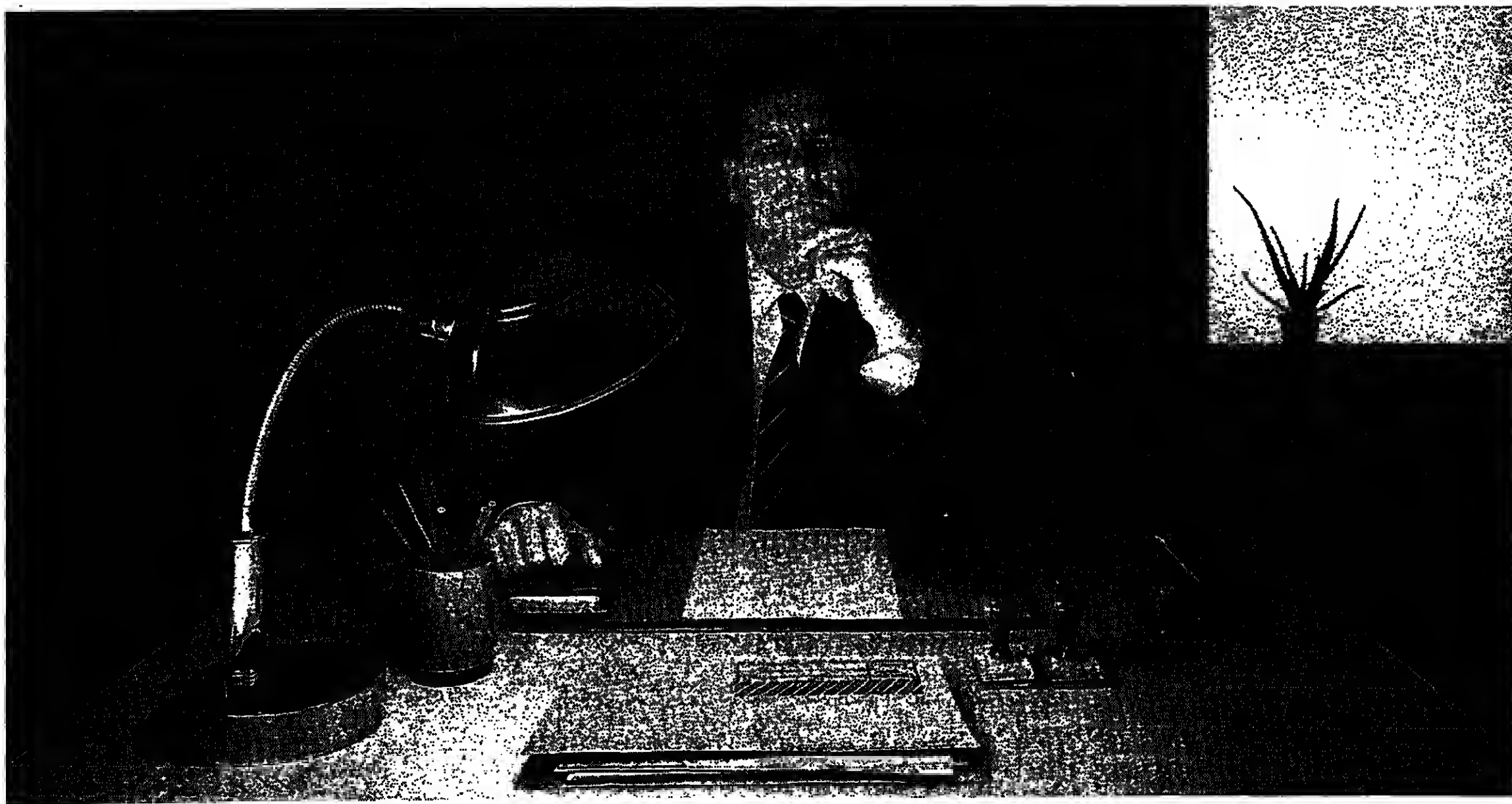
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## NEWS: ASIA-PACIFIC

## Tokyo panel urges tough deregulation

By William Dawkins in Tokyo

Japan must carry out painful economic deregulation or submit to even more traumatic below-average economic growth for at least the next five years, a top government panel warned yesterday.

The Economic Council, an advisory body to the prime minister, yesterday predicted in its latest draft economic plan that growth in gross domestic product would, all being well, average 3 per cent from now to the end of the century.

That is the lowest projection of any economic plan since Japan started setting such five-

year targets in 1966. But growth could fall even lower, to 1.75 per cent if the government fails to pursue economic reform, the council warned.

Unemployment would rise from the present record 3.2 per cent to 3.75 per cent in the worst case, but could fall back to 2.75 per cent if deregulation was effective, it said.

The plan, to be presented for adoption to the cabinet tomorrow, will be shown to trading partners to underline Japan's oft-doubted commitment to restructure the economy, which has stagnated for almost four years.

It is unclear whether Japanese policy makers will take

the plan any more to heart than the series of other official reports in the past year urging more radical deregulation than the cautious steps so far achieved.

The scheme contains an action programme, which will have more radical than political force, outlining 10 sectors where cost reductions are most urgent. They include distribution, energy, and consumer prices.

The plan cites seven industries, all in services, expected to create 7.3m jobs by 2010. This is the clearest official recognition yet of the change in industrial structure from before the recession, when car

and electronics manufacturing were the motors of the Japanese economy.

The telecommunications market is forecast nearly to triple from ¥34,000bn (\$344bn) annual sales in 1988 to ¥165,000bn by the end of the decade, led by mobile telephony, home shopping and remote education, the plan says.

A fast-ageing society is expected to lead to a rise in health, medical and welfare spending from ¥37,000bn annually to ¥69,000bn over the same period. Other sectors targeted for growth are corporate services, employment agencies, leisure and lifestyle, housing

and environmental services. The scheme stresses the need to improve the quality of life, which remains well below that of other advanced economies.

Japan's industrial output rose by a much lower-than-expected 1.2 per cent from September to October and will decline for the rest of this year, official data released yesterday shows.

Miti said manufacturers had earlier told researchers they expected production to rise by 3.5 per cent in October. Now, companies expect production to fall 0.1 per cent this month and 0.5 per cent in December, leaving output up 2.8 per cent for the year as a whole.

## Ms Hsu bursts in on poll fight for Taiwan

By Laura Tyson, recently in Kaohsiung

"Breast vs fist: Isn't this the only means the weak have to confront the powerful?" reads the caption to a photograph depicting a young woman emerging from a hole ripped in the flag of Taiwan's ruling Nationalist party, wearing a white scarf and a befitting smile.

Ms Hsu Hsiao-dan, a third-time candidate, is among the most vivid contestants Saturday's parliamentary elections. The picture appears in a recently published collection of her musings on life, politics and society.

"Everyone in Taiwan knows Hsu Hsiao-dan," said the petite 37-year-old aspiring legislator at her pavement campaign headquarters in the bustling southern port city Kaohsiung. "But very few people really understand me."

The polls are the most crucial to date in Taiwan's transition to democracy; the long-ruling Nationalists may for the first time lose over half the seats in the legislature to opposition parties and independent candidates. This would force a coalition government and could weaken the position of the president vis-à-vis parliament.

Over the next three years, Taiwan faces its first presidential elections in March, Hong Kong's return to Chinese sovereignty in 1997, managing fraught relations with China, and constitutional reform.

Ms Hsu's unorthodox campaign techniques have led to her being dubbed the "political messiah" since she burst on to Taiwan's political scene in the late 1980s. The former nude model gained renown for disrupting during demonstrations outside parliament and on the campaign trail.

But her earthy humour and strident rhetoric against the Kuomintang (KMT) Nationalists struck a chord among the mainly working-class voters of industrialised Kaohsiung. In the 1992 parliamentary elections she lost in a hard-fought race to her well-financed KMT opponent by just 107 votes.

Ms Hsu faces another powerful KMT candidate in Saturday's polls. "After the last election, I realised I have so many supporters out there, I just had to try again," she said. "Like them, I come from an ordinary background. I'm a woman, and I'm poor - I can't even afford an office for my campaign. Who else will speak for them if I don't?"

This time, Ms Hsu seems to have toned down her style. Her campaign literature depicts her praying in Buddhist temples as well as being arrested at demonstrations.

"Taiwan society has changed dramatically in the last seven or eight years as a result of political reforms," said Ms Hsu. "It is now very free but chaotic. Political development in the last few years has been very unhealthy. The ruling party hasn't done anything to solve Taiwan's worst problems."

Organised crime is becoming more powerful; links between big business and politicians are stronger. These are the things ordinary people most despise."

Voters are especially worried about the economy. "We used to say Taiwan was a sleep-deep in cash; that is no longer the case. Many small businesses, even some big companies, have gone bankrupt. Most of Taiwan's money is now in the hands of big business groups; they are sending their money overseas."

On Taiwan's delicate relations with China, Ms Hsu is the middle-of-the-road majority view. "If we were unified and mainland China became chaotic, that would be bad for Taiwan. At this stage, we should maintain the status quo. If the economy is bad, we have nothing. If unification is going to make us poor, why should we want to unify?"



Ms Hsu Hsiao-dan, a third-time candidate, is among the most vivid contestants Saturday's parliamentary elections. The picture appears in a recently published collection of her musings on life, politics and society.

ASIA-PACIFIC NEWS DIGEST

## Opposition in Burma pulls out

Burma's opposition National League for Democracy (NLD) withdrew from the country's constitutional convention yesterday, saying the military's stage-managed event was undemocratic and illegitimate.

The country's military junta responded by accusing the NLD of disrupting and marred the convention process, where the military's hand-picked delegates are slowly drawing up a new constitution for the country. Lt Gen Myo Nyunt, the convention's chairman, said the military would not tolerate such obstruction.

This war of words was not what Ms Aung San Suu Kyi, NLD leader, had in mind as she repeatedly called on the military to enter into a dialogue after she was released from house arrest in July. "We are so far apart that we can't get further apart," she said. But fearing another crackdown similar to that in 1988, in which hundreds of people were killed, Ms Suu Kyi said the NLD "does not want to call the people out into the streets and has no plan to do so."

Instead, she said her party, which won 80 per cent of the vote in 1990 general elections later disallowed by the military, would continue its peaceful organising work within the country. She called on the international community to increase its pressure on the military government. Potential foreign investors "jolly well should wait" to invest in the country until Burma had a democratic government, the opposition leader said.

Ted Bardacke, Rangoon

## Ramos orders sell-off finale

President Fidel Ramos instructed the Philippine cabinet yesterday to finalise plans for the final and most radical phase of government privatisation, nine years after Manila's state sell-off programme was launched.

The "third wave", which would encompass the National Power Corporation, the Manila water system, the postal service and state pension funds, would complete one of the most comprehensive privatisation drives in the region, leaving the government with little more than regulatory functions.

Economists say it may be more difficult to sell off the remaining assets than earlier privatisations like military bases, the oil company Petron, and the long-distance telephone company. The drive has so far netted 170m pesos (\$4.1bn).

Overseas interest in the "third wave", projected to ensure a third consecutive budget surplus in 1996, has been running high. Six investment banks have submitted bids to act as the government's adviser on the privatisation of Napocor, which, it is hoped, will occur within 12 months.

Last month, the government chose the International Finance Corporation, the private-sector arm of the World Bank, to be lead consultant in the privatisation of the Manila Water and Sewerage System, which has already attracted more than 10 informal bids from overseas water companies.

The president yesterday ordered senior government officials to look at ways of coping with a constitutional clause restricting the sale of strategic assets to foreign companies.

Edward Luce, Manila

## UK and China sign airport deals

Britain and China yesterday reached four agreements which provide for regularisation of the status of the public corporation building Hong Kong's multi-billion dollar airport. The agreements also covered the board of the Airport Authority and business franchises covering catering and aviation fuel supply.

Mr Wong Po-yan, a China adviser and since 1991 chairman of the airport consultative committee, has been named chairman of the authority's 16-member board. Mr Lo Chung-hing, a senior Bank of China official, is expected to be named deputy chairman. The authority, which will come into being on December 1, will now be able to sign a financial support agreement with the government, which will enable it to approach financial markets for loans.

Three companies, Cathay Pacific, Lufthansa, and Gato Gourmet, were awarded 15-year franchises for catering; Aviation Fuel Supply Company, a consortium of western and Chinese oil companies, won a 20-year franchise for fuel supply.

Simon Holberton, Hong Kong

## Taiwan acts on share ownership

Taiwan may allow foreign individuals to buy Taiwan-listed shares as early as February next year as part of a long-term plan to liberalise domestic financial markets. The central bank and finance ministry yesterday agreed to the measure, the finance ministry said. Cabinet approval is needed before it will take effect. Taiwan opened its stock market to investment by approved foreign institutions in 1991 but foreign individuals are banned.

Securities analysts cautioned that the accord reached was "in principle" and details remained to be worked out. Initial reports suggested the relaxation measure may apply only to those foreigners holding valid Taiwan residence documents. Monetary authorities recently raised an overall ceiling on foreign investment in Taiwan shares from 12 per cent of total market capitalisation to 15 per cent.

Laura Tyson, Taipei

## Australia's economic growth slips to 3.3%

But this rate was well above market expectations

By Nikid Tait in Sydney

Australia's growth rate slipped to 3.3 per cent year-on-year in the September quarter (from 3.7 per cent previously), but national accounts data published yesterday failed to indicate any sharp slowing of the economy.

Many analysts, alerted by a downturn in the housing sector and corporate profit warnings, had expected the third-quarter growth rate to be significantly lower. Market expectations had averaged 1.1-1.2 per cent, against the 1.6 per cent which materialised.

Despite this, some economists expressed concern over the rise in stocks during the three-month period. "Virtually all growth in gross national expenditure over the quarter resulted from the positive contribution made by stocks," Société Générale Australia noted. "This suggests domestic demand stays relatively weak and domestic economic conditions will soften over the fourth quarter as the private sector acts to cut stock levels."

The latest growth is below the 3.75 per cent estimated for

1995-96 in last May's budget. Ministers, eyeing the looming federal election, greeted the figures. Mr Ralph Willis, the treasurer, said they were "consistent with continued economic growth in 1995-96 outlined in the budget".

He pointed to the absence of any significant build-up of inflationary pressures, and to the much-improved contribution from net exports. "I think we'll continue to see a good contribution from net exports," he expected the target growth figure for 1995-96 to stay at 3.4 per cent when the treasury publishes its mid-term review next month.

Meanwhile, according to a report issued today, Australia could see annualised benefits of A\$7bn (US\$5.1bn) if it closed the output gap with the US in five industries: retailing, retail banking, aviation, food-processing and building.

The report by McKinsey, the international management consultants, estimates similar benefits in other market sectors could be worth an extra A\$30bn a year. But since 1970, Australia's per capita GDP has lagged behind the US by about

30 per cent (a similar differential to that of the UK). In Australia's case, McKinsey found "most of this gap due to lower labour productivity, and the remainder to lower employment per capita".

In four of the five industries studied, Australian labour productivity lagged behind that of the US by a significant margin - and in retail banking, the weakest of all, it was only 60 per cent of US levels. Only in construction did Australia approach US standards.

Striking workers at CRA's North Queensland bauxite mine, whose quest to keep collective bargaining almost halted Australia this month, have agreed a return to work tomorrow. Their case, centring on pay parities with fellow-workers on individual contracts, has been taken up by the Australian Council of Trade Unions.

Plans to develop a futuristic high-tech centre - a "multifunctional polis" - in South Australia were dealt a further blow yesterday when chief executive Ross Kennan quit.

Australia Survey: See Separate Section

## Limits stay on foreign banks

By Geoffrey Crothall in Beijing

Opening China's banking to foreign competition too rapidly would "generate shocks to the financial system" and lead to "incalculable consequences for the domestic economy," a senior central bank official warned yesterday.

Mr Di Weiping, deputy director of the People's Bank of China's foreign financial institution department, stressed that banks from abroad would be allowed to conduct local currency business in China only once the central bank's monetary management and financial supervision had been sufficiently strengthened.

Foreign bank branches in China are at present restricted to 24 cities and can do business only in foreign currency.

"Allowing foreign banks to engage in local currency business would no doubt increase the complexity and difficulty of the People's Bank's role in financial regulation and supervision," Mr Di told an international banking conference in Beijing yesterday.

In this context, the process of allowing foreign banks to conduct local currency business "would have to be synchronised with the pace of the

enhancement of the central bank's abilities in macro-economic management and financial supervision," he said.

Mr Di refused to provide a timetable for when the central bank would let foreign banks do local currency business.

The discrepancy between the tax rates applied to foreign banks (15 per cent) and the main Chinese banks (55 per cent) has been cited by many observers as the main obstacle to foreign banks doing local currency business. Mr Di suggested this was something of a red herring.

"It has been suggested that Chinese banks would be subject to unfair competition if foreign banks were allowed to do local currency business while the tax rates were uneven. This argument is a little far-fetched," he declared.

He pointed out that the tax rates given to foreign banks were usually consolidated as profits on the books of the parent company and as such, subject to domestic taxes which in Japan, for example, could be as high as 60 per cent.

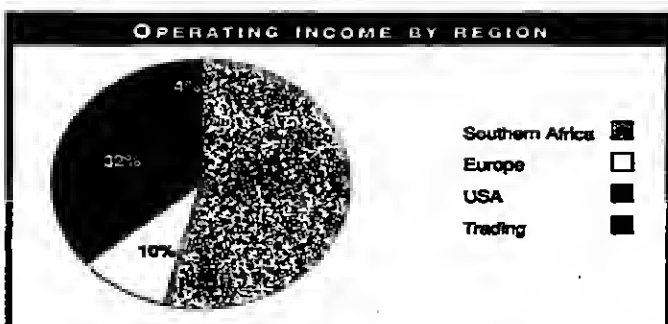
Several foreign banks had already indicated they would prefer a wider business scope to preferential taxes with a limited business scope, he said.

## sappi limited

AUDITED RESULTS for the seven months to 30 September 1995

- OPERATING INCOME \$473 MILLION
- EARNINGS PER SHARE 165 US CENTS

- EXCELLENT TRADING CONDITIONS
- DEBT/EQUITY IMPROVEMENT



	7 MONTHS TO 30.9.95	12 MONTHS TO 28.2.95
SALES	\$2 559m	\$2 190m
OPERATING INCOME	\$473m	\$228m
NET INCOME	\$265m	\$158m
EARNINGS PER SHARE	165 US CENTS	95 US CENTS
DIVIDENDS PER SHARE	120 SA CENTS	100 SA CENTS
CASH AVAILABLE FROM OPERATING ACTIVITIES	\$423m	\$265m

All the markets in which we operated continued to improve at varying rates during the period under review. The price of northern bleached softwood kraft pulp rose from \$750 per metric ton in February 1995 to \$925 in July 1995 and had an upward effect on the prices of other products. As a result of pulp price increases, the sharply higher prices of pulp in all grades. Except during the extended summer holiday period in the Northern Hemisphere demand for all paper products and pulp was strong and, as there was no material increase in supply, prices of all products increased.

Consolidated turnover for the seven months was \$2 559 million. The turnover includes \$1 062 million in respect of S D Warren compared with \$284 million for the previous period when Warren was consolidated for only 10 weeks. Except in the case of timber prices in South Africa, costs continued to be well controlled throughout the group and with the benefit of rising selling prices, operating income rose to \$473 million for the period. Of this figure, Warren contributed \$152 million.

Earnings per share at 165 US cents for the seven months showed a marked increase over the 95 US cents earned for the full year to 28 February 1995.

Significant success was achieved in managing the priorities at Warren which were: to achieve higher prices in the strong market, to access underutilised production capacity, to implement tight management controls, and, to refocus the business in its two main areas of operation. Prices in the third quarter of 1995 for coated woodfree paper were approximately 25% higher than prices at the start of the third quarter of 1994. The annual rate of production for the seven month period was approximately 150 000 tons higher than in 1994 and is expected to increase further in 1996.

Acquisition debt in Warren has been reduced by \$176 million since acquisition on 20 December 1994 from Warren's internal resources. Warren made an important contribution to Sappi's earnings per share in the period under review.

In Germany a further DM66 million will be spent over the next year to reduce costs and to expand capacity at Alfeld and Eningen which will positively impact on Hannover Paper's ability to preserve and grow its market share, and on its profitability.

Most of the projects in the group are aimed at reducing unit costs and improving product quality although an additional, significant investment of \$18.4 million will be spent on improving environmental aspects of the business.

The economies of the world are expected to continue growing in the coming year as is the worldwide consumption demand for all paper products. There is little new product capacity in the near term, except in the case of recycled container board in North America and it is anticipated that the current period of inventory adjustments will be of relatively short duration.

Your board is therefore cautiously optimistic about the outlook for earnings in the year ahead.

## DIVIDEND ANNOUNCEMENT

The dividend of 120 SA cents per share will be payable on 25 January 1996 to shareholders of record on 15 December 1995. The dividend is payable in the currency of the Republic of South Africa. Dividends payable from the London transfer office will be paid in British Pounds Sterling or in the case of shareholders resident in the USA in US Dollars, at the respective rates of exchange ruling on 18 January 1996.

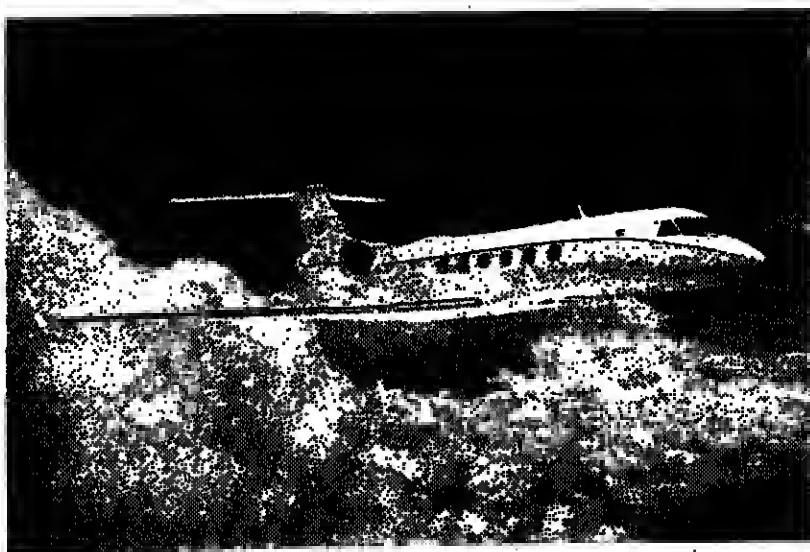
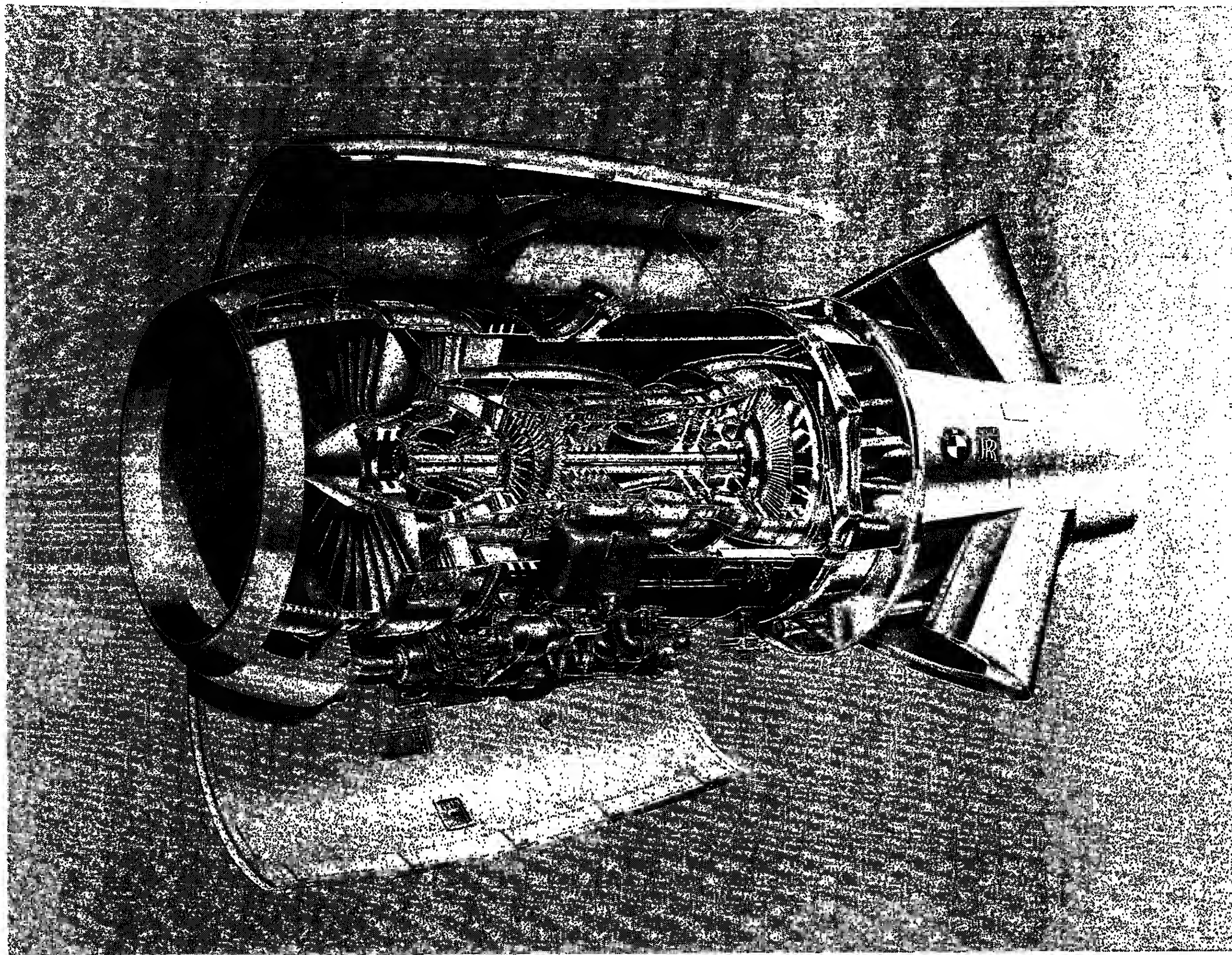
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BMW Rolls-Royce BR710 engines, powering the newly developed Gulfstream V® ultra long range corporate jet, have successfully completed a first flight in Savannah, USA. The BR710 is the first member of the new BR700 engine family and the first ever German production jet engine designed for civil aircraft.

BMW Rolls-Royce has secured all possible orders to power the ultra long range corporate jets and the new 100-seater regional aircraft. The BR710 propulsion system has been selected for both the Gulfstream V® and the Bombardier Global Express®, making BMW Rolls-Royce the exclusive engine supplier for this new generation of corporate jets. The larger BR715 propulsion system has been chosen as the sole powerplant for the new McDonnell Douglas MD-95, the short and medium range jet family, and is due to begin commercial service for the launch customer ValuJet Airlines in June 1999.

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## NEWS: UK

Clinton visit Like a true southern gentleman, he had nothing but praise for his hosts at the Palace of Westminster

## Sure touch of a statesman among dead kings

By Kevin Brown, Chief Political Correspondent

If there is a prize for fostering Anglo-American relations, US President Bill Clinton will share it with whoever organised the seating for his presidential address to both houses of parliament in Westminster's royal gallery yesterday.

The gallery, a vast red, green and gold panorama of grinning heraldry and gilded symbolism, is an even more dramatic example of Victorian gothic enthusiasm than the splendid over-the-top chamber of the House of Lords.

It must have looked like a poorly executed theme park to Mr Clinton, whose own house in Washington, is somewhat older and in rather better taste. Like a true southern gentleman, though, he had nothing but praise for his hosts.

He had done his research, too, appropriately for a Rhodes scholar who boasts that he inhaled a great deal of the local culture (but nothing else) during his post-graduate year at Oxford University.

Starting with Sir Winston Churchill, the President paid homage to one statesman after another, running quickly through Pitt (though it wasn't clear which one), Burke, Disraeli, Gladstone, Churchill again, Milton (in verse) and Churchill yet again.

It was a sign of Mr Clinton's sure touch that he managed to mention Mr John Major in this company without bellowing, landing the prime minister's courage in "taking a risk" for a permanent peace in Northern Ireland.

The president also sought to make amends for not turning up for the 50th anniversary of the end of the second world war earlier this year, recalling the sacrifices made in both countries.

But there was more to come. In ringing tones clearly designed to resuscitate the moribund special relationship between the US and his hosts, Mr Clinton spoke of an alliance that stood alone and above all the rest; a model for the times and for all democracies.

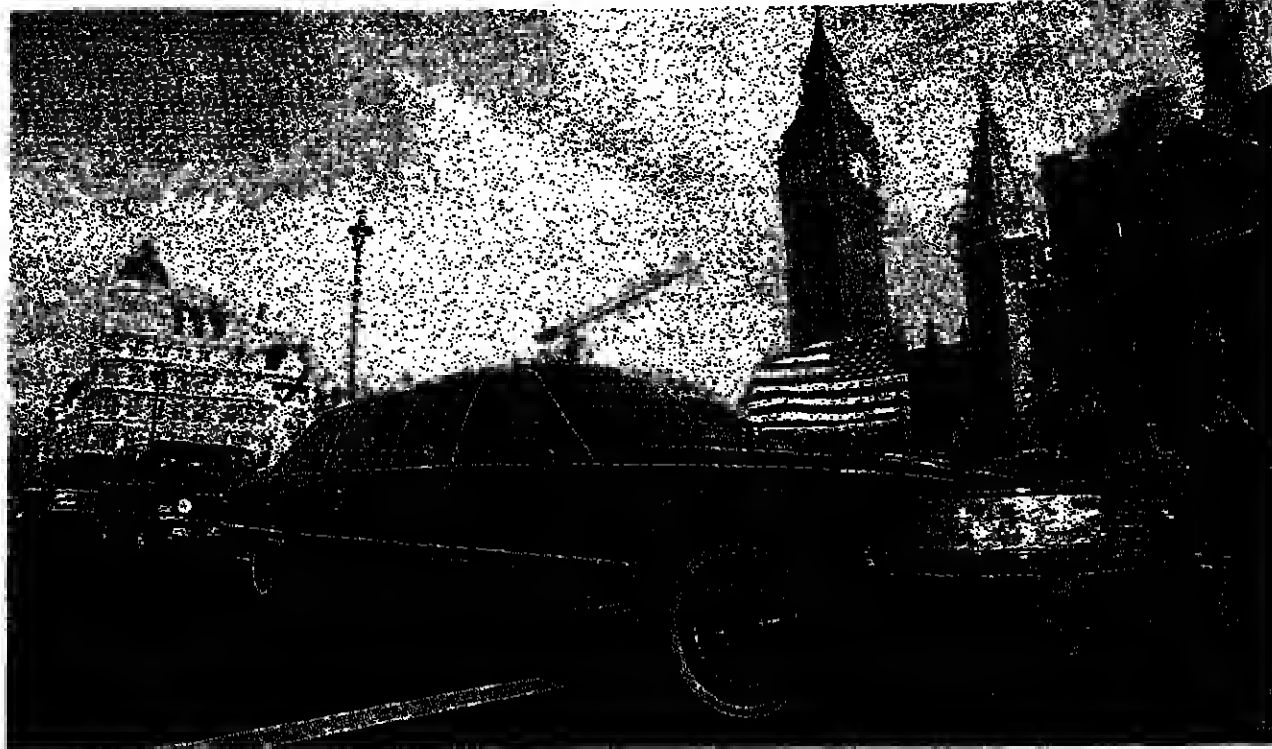
It was heady stuff. But it was not the end. "Friends, we have stood together in the darkest moments of our century," he said. "Let us now resolve to stand together with the bright and shining prospect of the next century."

There were some good jokes, too, including one about the blackened marks on the exterior of the White House that mark the burning of the building by British troops during the short-lived war of 1812.

It was a reminder that the special relationship has not always been so close. The historically minded, or perhaps just the more mischievous, scanned the royal portraits and statues for the mad king who lost the American colonies.

They all seemed to be there: George I, George II, George IV were all clearly visible. But no one could find George III.

Finally, he was tracked down, awkwardly sited in the president's direct line of vision, but carefully hidden behind a gang of photographers on a raised dais. That is what the British call diplomacy.



President Clinton sweeps past the Palace of Westminster where he addressed a special session of both houses of parliament

## Communiqué seethes with ambiguity

By John Kemptner at Westminster

As they gave their gloss on the 11th-hour accord on Northern Ireland, British officials stressed that it was the Irish who had made by far the most concessions.

Mr John Bruton was the one, after all, who had flown to London in the dead of night, hours before the arrival of the US president. With the endorsement of President Clinton, the Irish prime minister would be able to sell the deal to his own parliament and to force a reluctant Sinn Féin to come on board.

On one level, the theory appears borne out by the text of the turgid Downing Street communiqué launching the joint "twi-track initiative".

The strategy involves preliminary political talks involving Northern Ireland's parties and the two governments, while a three-strong international

A mixture of unplanned street theatre and careful stage management by his officials will shape President Clinton's visit to Northern Ireland today. It will be the first by a serving president, and a powerful symbol of the changes since the ceasefire 15 months ago, John Mayhew writes from Belfast.

In a province where flying a flag is a political statement, the stars and stripes will be in abundance today. The president's advisers had misgivings about holding the main political event - the reception for the province's political lead-

ers hosted by Lady Mayhew, wife of Britain's chief Northern Ireland minister, at Queen's University, given the recent row over the decision to stop using the British national anthem at graduation ceremonies.

But the programme has been chosen to balance Protestant and Roman Catholic interest. It will be capped tonight with a public performance at Belfast City Hall by Van Morrison.

The president is expected to join the Belfast-born rock star on his saxophone, perhaps in a rendition of Morrison's hit single "No religion".

in advance to accept its recommendations", the text says.

Yet it seems hard to imagine that the British government could disregard any conclusion that Sinn Féin had gone some way to demonstrate democratic credentials to allow it into all-party negotiations by the end of February.

The remit of the international body does not mention the "Washington three" principle, set out by Sir Patrick Mayhew, which requires a physical transfer of

judgments that the countries and the parties will have to make," he said. Downing Street said Mr Major was "not in the least disappointed" at the president's remarks.

Virtually every word in the communiqué has been fought over. The result is a barely comprehensible hybrid. Some lines are seized on by the Irish as being the final word on a particular issue, only for the British to accentuate others.

Simple language is deemed too controversial. There is no mention of paramilitaries. Instead the body talks of "arms silenced by virtue of the welcome decisions taken last summer and autumn by those organisations that previously supported the use of arms for political purposes".

In essence, the governments, having gone almost to the brink, have merely bought time. Twin tracks was only the latest piece of diplomatic jargon to circumvent the latest obstacle in the peace process.

## Able negotiator steps up to bat

By Nancy Dunne in Washington

Senator George Mitchell, who will chair the international commission on the handover of weapons held by the Irish Republican Army, is a relentless and able negotiator.

On Capitol Hill yesterday, a spokesman for Senator Ted Kennedy of Massachusetts said Mr Mitchell was "the perfect choice". Long active in the search for solutions in Northern Ireland, Mr Mitchell nevertheless is seen as "not carrying the baggage" of bias towards any of the combatants.

Since retiring as Senate majority leader in 1994, Mr Mitchell has been the State Department's part-time trade and investment adviser on Northern Ireland with a mandate to concentrate on economic development.

A Roman Catholic, the prod-

uct of an Irish-American father and a Lebanese mother, his deliberative, delivery style reportedly grew out of his father's insistence that he read aloud the week's epistle from the other side of the house.

A graduate of Georgetown University, he was a protégé of Senator Edmund Muskie, a former secretary of state.

In the Senate, Mr Mitchell succeeded in passing a number of President Clinton's initiatives in 1993. He turned down an appointment to the Supreme Court in order to shepherd health insurance reform through the US upper chamber. But neither he nor the White House could overcome conservative opposition.

Later, he said he had no regrets about giving up the Supreme Court. Besides, he really wanted to be baseball commissioner, a goal he has yet to attain.

## Demand for Scots parliament rebuffed

The British government yesterday launched a long-awaited fightback against opposition Labour proposals for a Scottish parliament by announcing plans to give Scotland's 73 MPs more control over Scottish legislation. *Karen Brown writes.*

In a Commons statement timed to upstage the formal publication today of detailed devolution proposals, Mr Michael Forsyth, the Scottish secretary, claimed the government's plans would make a devolved parliament unnecessary.

Mr Forsyth is expected to offer further concessions tonight in a speech in Glasgow. He will outline plans to devolve powers from the Scottish Office to Scotland's unitary local government system. Mr Forsyth told MPs that the government would concede greater powers to the long-standing Scottish Grand Committee, which includes all Scottish MPs, and has the power to question Scottish Office ministers and debate uncontroversial bills.

He said the committee would sit more often in Scotland, and would have the power to question other ministers about Scottish affairs, including the prime minister and the chancellor of the exchequer.

The committee will also be given greater powers to debate bills at the second and third reading stages, when decisions of principle are taken, and to hear evidence from outsiders in a special committee stage.

However, the government will decide which bills are referred to the committee, which has an overwhelming opposition majority, ensuring that only uncontroversial measures go through the revised procedure.

Detailed proposals for a devolved Scottish parliament, already adopted by Labour, will be published today by the cross-party Scottish Constitutional Convention, which includes Labour and Liberal Democrat representatives, but not Conservatives or Scottish nationalists.

## CONTRACTS &amp; TENDERS

## HIMACHAL PRADESH GOVERNMENT INTERNATIONAL COMPETITIVE BIDDING FOR JOINT SECTOR EXECUTION OF KOL DAM HYDROELECTRIC PROJECT (300 MW)

Himachal Pradesh Government invites offers for the Joint Sector participation in 300 MW Kol Dam Hydroelectric Project. The project will be a storage project involving a dam 133m high across Sutlej River. H.P. Government proposes to have 25% equity in the Project.

The Interested Companies may request for brochures containing details of salient features of the project, terms and conditions regarding formation of the Joint Venture Company etc. alongwith a set of Detailed Project Report which will be available between 1st February to 29th February, 1996. The request should be accompanied by a Bank Draft amounting to Rs. 10,000/- (Rupees Ten thousand plus Rs. 500/- if required by post) in favour of Accounts Officer (Bkg.), HPSEB, Shimla-4 and should be addressed to the undersigned:-

Tel: 91-01907-62242 Chief Engineer (B&P), HPSEB, Sundernagar-174 402, District, Mandi, Himachal Pradesh (INDIA), Fax: 91-01907-62257

## CONTRACTS &amp; TENDERS

## GRAMPIAN HEALTH BOARD

The Tendering of Local Health Services in Kincardine

Grampian Health Board wishes to purchase, in a hospital setting, a range of inpatient, outpatient, day case and clinical support services for the people of Kincardine. The Health Board is interested in receiving Expressions of Interest from potential providers of these services. The services being sought fall under Part B of the Public Services Contracts Regulations 1993. It is the Health Board's intention, however, to tender competitively for them so as to ensure that it obtains the highest quality services at the most economically advantageous prices. This opportunity has appeared in the Official Journal of European Communities on 23/11/95.

Service providers wishing to express interest in this opportunity must request in writing an Information Pack from the address detailed below. This Information Pack will specify the information that is required from parties expressing interest in this opportunity. Expressions of interest must be returned to the address below no later than 5.00 pm on 21st December. It is possible that the Health Board will award individual contracts for the various components of the service.

Address all correspondence to:

Barry Sweetbaum  
NEWCHURCH & COMPANY  
12 CHARTERHOUSE SQUARE, LONDON EC1M 6AX  
TEL: 0171 566 6666 FAX: 0171 566 6650

U.S. \$125,000,000



BANK OF BOSTON CORPORATION

Floating Rate

Subordinated Notes Due 1998

Issued 29th August 1996

Interest Rate 5.925% per annum  
Interest Period 30th November 1995  
29th February 1996

Interest Amount per  
U.S. \$50,000 Note due  
29th February 1996 U.S. \$748.85

CS FIRST BOSTON Agent

U.S. \$200,000,000

Hydro-Québec

Floating Rate Notes, Series FY, Due July 2002

Interest Period 30th November 1995  
26th January 1996

Interest Amount per  
U.S. \$10,000 Note due  
26th January 1996 U.S. \$301.22

CS FIRST BOSTON Agent

U.S. \$40,000,000

Gatic S.A.I.C.F.I.A.

7% Notes due 1997

With effect from 20th November, 1995 Standard Chartered Bank acting through its office at 22 Billiter Street, London EC4M 3DF, United Kingdom has been appointed Principal Paying Agent in respect of the above-captioned Notes in place of Standard Chartered Capital Markets Limited.

Principal Paying Agent

Standard Chartered

Standard Chartered Bank

30th November 1995

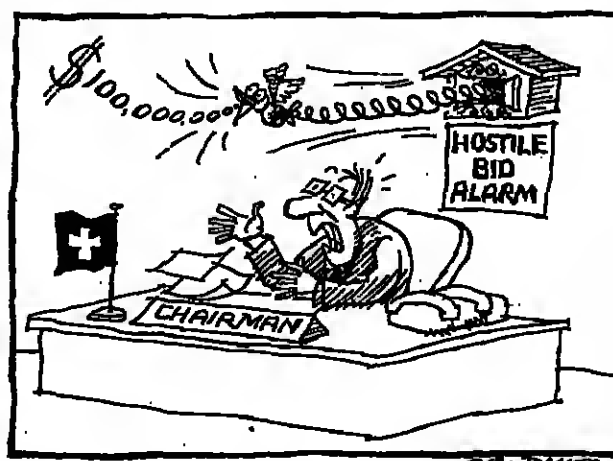
Collateralized Floating Rate Bond Due 2002  
THE REPUBLIC OF ARGENTINA  
In accordance with the provisions of the Fiscal Agency Agreement, notice is hereby given that for the six month interest period from November 30, 1995 to May 31, 1996, the Bonds will carry an interest rate of 4.5625% p.a. and the Coupon Amount per U.S. \$1,000 nominal of the Bonds will be U.S. \$23.34.

November 30, 1995, London  
By: Citibank, N.A. (Issuer Services) Agent Bank CITIBANK

## BUSINESS AND THE LAW

## With hostile intent

Contested takeover bids could become more common in Switzerland, says Bruno Boesch



vide that the liquidation of a company is the province of its shareholders. International Paper argued that the sale of the subsidiary by Holvis to BBA amounted to a *de facto* liquidation and that the directors of Holvis had acted beyond their powers.

Under the new Stock Exchange and Securities Trading Act, passed by the Swiss parliament a couple of months before the sale would not have been allowed. However, the act does not come into force until the end of next year.

Takeover bids such as that for Holvis could become more common in Switzerland. Freedom and competition in the stock market have increased, thanks partly to the dismantling of a series of cartel arrangements among bankers and brokers.

The Swiss takeover code, largely inspired by the UK's, has gained recognition. Before the Holvis deal could go ahead, the takeover panel heard submissions from International Paper, Holvis, BBA and Arjo Wiggins.

As far as the lock-up was concerned, the panel ruled that it could not hear and pass

not requested a general meeting early enough. Having lost on two fronts, International Paper threw in the towel.

This is the background against which future Swiss takeover battles will be fought, bearing in mind the new Stock Exchange and Securities Trading Act.

The takeover panel recently observed that many companies had not yet grasped the full extent of the changes introduced by the new law. Listing requirements will be tightened. The exchange and the company will have to be notified of persons acting alone or in concert whose holding exceeds or falls below various thresholds between 5 per cent and two-thirds of the company's stock.

Mandatory bids will also be introduced: any person acquiring directly, indirectly or in concert more than one-third of the voting rights of a company (other than a few other exceptions), will be obliged to make a bid for the entire company.

Companies may increase this threshold to 49 per cent, or they may exempt acquirers from the obligation to bid. Securities of companies that opt out will probably have to be listed separately.

Any person who controls more than one-third but less than 50 per cent of a company when the act comes into force will have to make a bid for the whole company if they buy additional shares taking their holding over 50 per cent.

A welcome novelty will be the right of a successful bidder to "squeeze out" remaining shareholders who together hold less than 2 per cent of the target.

Holvis may not be representative of the mainstream Swiss listed companies. However, its takeover sets a precedent which, combined with the transparency brought about by the Stock Exchange and Securities Trading Act, and together with the new Swiss electronic exchange which comes into operation next spring, represents a new capital market environment. That environment is likely to attract new investors, including institutions, which is bound to bring along fresh shareholder activism.

The Holvis takeover may herald an era of corporate restructuring by way of takeovers in Switzerland.

The author is a London-based partner of Prorip Romagosa, the Swiss law firm that acted for BBA over Holvis.



# Names head for clash over 'run-off' proposal

By Ralph Atkins,  
Insurance Correspondent

Hard-hit Lloyd's of London Names were warned yesterday that if the insurance market stopped writing new business, a grim picture of what would happen if Lloyd's went into "run-off" - servicing only claims on policies already sold - was painted by executives as part of intensifying efforts to persuade Names to back the insurance market's recovery plan. Names are individuals

whose assets have traditionally supported the insurance market.

The report warned that, under "run-off", Names would face increased liabilities.

**LLOYD'S**  
LLOYD'S OF LONDON aggressive regulators concerned only to protect policyholders, and bills for losses that continued for decades. It also warned that profitable insurance syndicates' assets

would be hard to transfer out of Lloyd's, although agencies operating at the market could set up elsewhere using fresh capital.

Lloyd's study, written in conjunction with Freshfields, the market's legal advisers, comes as a group of lawmakers and litigating Names prepares to publish a report next week suggesting an orderly "run-off" might be a viable alternative.

The Lloyd's Names Association's working party hopes its research will prompt debate on whether Lloyd's recovery plan is the best option. Mr Ron Sandier, chief executive of Lloyd's, said "run-off" was "not an attractive option" for Names. The Lloyd's report was being published because "Names wish to receive clearer guidance on the thinking of the council's view that the reconstruction plan represents the best route forward for the society," Lloyd's said, however, that failure of the plan would not leave "run-off" as the only alternative.

The reconstruction plan, due to be implemented next spring, includes a settlement offer worth £2.8bn (\$4.5bn) to loss-making and litigating Names. Names would also have liabilities "capped" via a giant new reinsurance company, Equitas.

Lloyd's said its ruling council had a duty to balance the interests of all Names - whether part of the ongoing market or hit by exceptional losses. It also had duties towards policyholders, and to try to shield Names by walking away from paying claims was not an option. Nor could Lloyd's ignore US court rulings on claims for asbestos related diseases and pollution damage.

## UK NEWS DIGEST

### BMW creates motor sport unit

BMW has formed a British subsidiary to operate many of its motor sport activities. BMW Motorsport will be based initially at BMW's British headquarters at Bracknell to the west of London. Its first goal will be to recapture of the British Touring Car Championship last won by BMW in 1993. It will also develop BMW's partnership with the nearby McLaren motor racing concern, whose Le Mans 24-hour race-winning sports cars are powered by V12 BMW engines. The new subsidiary is also expected eventually to take BMW back into grand prix racing after a long absence. "The UK is acknowledged to be the hub of the world motor sport industry," said BMW.

John Griffiths, Industrial Staff

### German group to sell offshoot

Silent Power, a company developing a battery capable of powering a car, has been set up for sale by its German owners. The company has 115 employees and has been based at Runcorn in north-west England for 20 years. Its battery has given a prototype electric-powered VW Golf a 150km range and a top speed of 130kph. RWE Energie of Essen, which bought Silent Power from Chloride Group of the UK when the latter quit battery manufacture in 1992, is shedding non-core businesses. RWE is believed to have spent more than £10m (\$1.6m) on the purchase of Silent Power and subsequent investment. However, Silent Power is unlikely to be profitable until about 2004 because of a lack of immediate pressure to change environmental laws. "The market will develop first in California, where pressure for tighter environmental regulation is strongest," said Mr Wynn Jones, Silent Power's managing director.

Ian Hamilton, Fuzey, Manchester

### Cunard and agency criticised

Cunard and the British government's Marine Safety Agency were both criticised yesterday in an official report into the disastrous voyage of the Queen Elizabeth 2 cruise liner from Southampton to New York last Christmas. The Q2 sailed before war had been completed on a reef, prompting complaints from passengers. The ship was prevented from leaving New York for a while by the US Coastguard which found safety violations.

The report by the Marine Safety Agency disclosed "serious deficiencies in the shore and ship management of the vessel by Cunard" but also acknowledged that the agency's own procedures were too lax. Lord Goschen, shipping minister, said the agency was meeting Cunard about avoiding such problems and adherence to the international safety management code.

Charles Batchelor, Transport Correspondent

### Finance for nuclear clean-up

An independent trust fund will be set up to finance the clean-up of nuclear power station sites after privatisation next year. Mr Tim Eggar, energy minister, told the House of Commons industry committee that the fund would be independent of British Energy, the nuclear company which is being privatised, to ensure that money would be available to meet decommissioning costs. He stressed that the government intended to go ahead with the sale in the middle of next summer. The decommissioning liabilities of British Energy have been estimated at around £5bn (\$9.3bn). But this includes the cost of disposing of spent fuel, which will not be covered by the new fund. Mr Eggar said that no equivalent fund would be set up for Magnox Electric, the company which will remain in the public sector to manage Britain's older nuclear power stations.

David Lascelles, Resources Editor

## England soccer coach faces bar on business role

By William Lewis  
and Robert Strimling

Mr Terry Venables, coach of the England football team, has been told by the Department of Trade and Industry that it is to start proceedings to disqualify him as a company director.

It means Mr Venables is likely to face court action in before and possibly during next summer's European Championships, which are being held in England. The tournament, for which England qualify automatically as hosts, is the largest sporting event to be held in the UK since the World Cup in 1966.

If the DTI's disqualification action is successful, Mr Venables could be barred from being a director of a limited company for up to 15 years.

The DTI has concluded, however, that there are no grounds for criminal charges against Mr Venables. "I can confirm that they are not taking proceedings against me under the Financial Services Act, which would have been criminal action," Mr Venables said.

"The DTI have said they intend to pursue me for disqualification which I presume relate to technical offences," he said.

"I am not guilty and will fight this as I have fought all the other allegations that have been made against me. I do not treat this matter lightly. How-

ever, I regard disqualification proceedings as a far cry from the criminal allegations."

The DTI has sent Mr Venables a so-called "ten-day letter" which details its decision. After the expiry of the letter early next week, the DTI will start court proceedings by issuing a summons and providing supporting evidence.

Disqualification proceedings follow an 18-month investigation by DTI inspectors. The DTI's letter does not specify details of the grounds on which it is seeking to have Mr Venables disqualified. It says disqualification proceedings relate to activities at four companies - Scribes West, Edenote, Tottenham Hotspur plc and Tottenham Athletic Company.

Mr Venables said he was "dismayed that details of the disqualification decision had been leaked. A DTI enquiry is supposed to be confidential."

The Football Association, which employs Mr Venables, said last night: "This does not affect his position. He is not employed as a businessman but as a football coach."

Mr Venables, who has fought a number of legal battles, believes there to be a conspiracy against him.

He said last night: "Despite all the allegations and investigations, no one has begun any criminal proceedings."

## Multinationals face tax curbs

By Jim Kelly,  
Accountancy Correspondent

The UK tax authorities gained important new powers to tackle tax avoidance by multinational companies. The crackdown was criticised by tax experts who said that Customs and Excise in particular had won sweeping new powers over large companies.

Customs were given powers to tackle avoidance of value added tax which occurs when companies operate in groups for tax purposes. "VAT groups" can manipulate transactions and avoid paying tax by altering their structure.

Customs officers say abuse has become a "serious problem" in recent years.

"Captive" insurers face significant higher tax bills which could reduce the attraction of such self-insurance schemes. Such insurers are set up in low-tax countries by companies of all kinds to provide dedicated insurance cover. Corporate insurance risk managers and advisers were yesterday assessing the impact of a little-noticed feature of Tuesday's Budget on the taxation of controlled non-UK companies in low-tax countries.

The change will require that 80 per cent, rather than 50 per cent, of a captive insurer's profits in low-tax locations will have to be distributed - and therefore become liable for tax under British rules. Moreover, the basis on which profits will be determined will be brought into line with profits from subsidiaries outside the UK. "The Revenue is putting more and more pressure on the major multinationals to bring more profits into the UK," said Mr Graeme Cottam, international tax partner with Price Waterhouse.

Results in the Revenue's report show how valuable this kind of compliance is to the exchequer," said the Revenue.

The new tax regime for "controlled foreign companies" means that present tax benefits will be cut. Such subsidiaries will now be brought more in line with UK resident companies.

retrospective - this to me is astonishing. For a period up to six years after the event they will be able to say that a transaction did not happen the way a company said it did."

Tax experts complain that as well as being retrospective - an extension of the authorities' powers - the new rules rely on

a subtle definition of the difference between tax avoidance and legitimate financial tax planning.

However, the practice can be perfectly legitimate and saves UK business an estimated \$400m (\$620) in accounting costs because services and goods supplied within the group can be ignored for tax purposes. Mr George Michis, partner with KPMG, said: "These powers are

done nothing. But Mr Clarke's assertion did nothing to shake the conviction of the financial markets that lower base rates are on the way. Many analysts expect them to fall from their current level of 6.75 per cent after the chancellor meets Mr Eddie George, governor of the Bank of England (the UK central bank), on December 13.

The pound dropped sharply yesterday as the foreign exchanges factored in a likely base rate cut. Against a trade weighted basket of currencies

it fell to match its previous record low at 82.2 per cent of its 1990 value before regaining some lost ground later in the day. Sterling at one stage hit a 15-month low against the dollar.

Mr Clarke said he believed his measures should give people confidence in fiscal and monetary policy, and that should be reflected in the markets. "But I leave the markets to make their own decisions".

The short-strengthening futures market, in which traders bet on

## Growth 'not dependent on rates cut'

Mr Kenneth Clarke, chancellor of the exchequer, said yesterday that his Budget forecast for economic growth next year did not depend on an early cut in interest rates, our Economics Editor writes. "The one thing I am not going to do is start playing fast and loose with interest rates in response to political pressures," the chancellor insisted. He added that his tax cuts would help boost consumer demand, but that it would have strengthened anyway even if he had

done nothing. But Mr Clarke's assertion did nothing to shake the conviction of the financial markets that lower base rates are on the way. Many analysts expect them to fall from their current level of 6.75 per cent after the chancellor meets Mr Eddie George, governor of the Bank of England (the UK central bank), on December 13.

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The short-strengthening futures market, in which traders bet on

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Published as at end of July 1995.

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## TECHNOLOGY

Clive Cookson looks at the advantages of transdermal patches, in a series on drug delivery

## Getting under the skin



The latest guise of transdermal drug delivery could hardly be less obtrusive. A sticky transparent disk, no wider than a large coin and as thin as paper, can deliver a week's medication gradually through the skin.

In the new generation of ultra-thin patches, the active drug is dispersed within an adhesive polymer. This is sandwiched between a protective top film and a backing film in contact with the skin.

The technology is an extraordinary advance on the first transdermal patches, introduced in the 1980s, which released the drug from a reservoir of liquid or gel.

"We have come a long way from the crude 'jelly in a bag' patches, which looked like a fried egg on the skin," says Geoffrey Guy, chief executive of Ethical Holdings, a leading UK drug delivery company. "The basic structure of the new patches, in which the drug is dissolved in the adhesive, could hardly be simpler."

According to Guy, progress in skin patches over the next five to 10 years will involve "fine tuning" the structure and finding better ways of loading the drug into the adhesive. More important, many more drugs will be reformulated for delivery through the skin.

Transdermal technology offers several advantages over other delivery systems:

- Because the drug passes directly through the skin into the bloodstream, it is suitable for compounds that would be destroyed by digestive enzymes if taken by mouth.
- The drug is released slowly over a period that may last for anything between a day and a week. This gives a steadier level in the body than conventional oral formulations or injections, which lead to peaks and troughs - and a greater

## Transdermal patches

## Reservoir patch

Protective film

Drug in gel

Micro-porous membrane

Adhesive layer

Release liner

## Drug-in-adhesive patch

Backing film

Adhesive and drug

Release liner

risk of side-effects.

- Patients are more likely to persist with their medication if they can apply an unobtrusive patch every few days rather than having to swallow tablets, let alone having an injection.

The most obvious drawback is that patches sometimes induce allergic reactions, irritation and sensitisation of the skin - either from the drug itself or from the other ingredients such as adhesive. "We are all working to reduce those reactions," says George Bannopoulou, R&D director of Lavi-pharm, a Greek pharmaceutical group concentrating on drug delivery research.

The growth of the transdermal drug market to its estimated value of \$2.5bn (£1.6bn) this year has been driven by three main types of product: nicotine patches for people trying to stop smoking; hormones

for post-menopausal women; and nitroglycerine for heart patients.

Its projected growth over the next five years - estimates suggest that transdermal sales will exceed \$8bn in 2000 - will rely on a wider range of drugs.

For example, Geoffrey Guy sees a large market developing in strong analgesic transdermal patches for relief from severe pain. One such product, a patch containing the opioid drug fentanyl, is already available, it was developed by Alza of the US in collaboration with Janssen, a Belgian subsidiary of Johnson & Johnson. Other companies, including Ethical Holdings, are developing pain-killing patches.

Ethical is also about to start clinical tests of a patch designed to prevent asthma attacks. "Our notion is to give background protection against

asthma by reducing hypersensitivity with a patch applied once a week," Guy says. "We also have plans to start development of one or two other products in the area of multiple sclerosis and arthritis."

A young US company specialising in transdermal drugs, Sano, went public this month, raising \$33m on the strength of an R&D portfolio that includes nine proprietary and six generic products.

Sano is testing three patches incorporating buspirone, a drug manufactured by Bristol-Myers Squibb in tablet form to treat anxiety. The patches are intended to treat not only anxiety but also depression and attention deficit disorder (childhood hyperactivity).

The Florida-based company is also testing a novel anti-smoking patch with two active ingredients: nicotine and meca-

mylamine, a chemical that blocks some of nicotine's effects. Early results from Sano's clinical trials support the theory that nicotine and mecamylamine work together to reduce the craving for cigarettes more effectively than nicotine-only patches.

The transdermal market has attracted a diverse mixture of companies, from biotech start-ups to giants in the pharmaceutical and medical materials fields.

3M, the Minnesota-based materials science company, used its background in adhesives (Scotch tape and Post-it notes) to pioneer some of the technology used in skin patches. Its latest development is the Cydot "transmucosal" patch, designed to deliver drugs through the thin mucosal membranes of the gum behind the upper lip. This

pill-sized patch uses a new bio-adhesive which sticks all day to the moist, slippery gum surface, without causing irritation.

Because the mucosa are more permeable than skin on the outside of the body, Cydot can deliver molecules that are too large to incorporate successfully in transdermal patches. It also can also get drugs more quickly into the bloodstream.

3M has carried out clinical trials with three different molecules. Most interesting is melatonin, the sleep hormone that is secreted naturally by the pineal gland in the brain during the night.

A trial showed that Cydot could mimic closely the body's circadian cycle of melatonin production. A gum patch applied at bedtime delivers melatonin very quickly to the bloodstream and maintains high levels in the night; the hormone level falls back virtually to zero when the patch is removed next morning.

A transdermal patch, in contrast, gives a very slow onset and equally slow decline in blood melatonin. And melatonin tablets, which are becoming popular as sleeping pills and antidotes to jet lag, produce an immediate surge of

hormone which may not last long enough for a full night's sleep. 3M is now negotiating with a number of pharmaceutical companies to apply the technology.

Another approach is to use a small electric current to help deliver drugs from a transdermal patch. The current makes the skin more permeable and at the same time drives drug molecules through it.

Electrical patches are inevitably more bulky and expensive than simple drug-in-adhesive patches. In addition to the drug reservoir, they require a tiny battery, two electrodes in contact with the skin and a microprocessor. But several companies, including Becton Dickinson, Cygnus, Elan, Genetronics and Alza, are working on the technology.

One advantage is that electrical patches could deliver large molecules such as proteins which would not otherwise pass through the skin. Another is that the microprocessor could give the patient some control over the dosage - this might be useful when administering pain-killers.

Instead of electricity, ultrasound can push proteins through the skin. Robert Langer and colleagues at the Massachusetts Institute of Technol-

ogy reported this summer that bursts of low-frequency ultrasound made the skin permeable to insulin, interferon and erythropoietin. They made use of an effect called cavitation. The low-frequency ultrasound produces minute air bubbles in the fatty lipid layers between skin cells - opening up channels through which unexpectedly large molecules can pass.

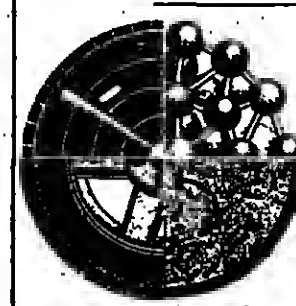
The long-term dream of many researchers is to link electrical or ultrasound patches to electronic sensors, producing an "intelligent patch" that would adjust its drug delivery rate automatically according to the patient's need.

For example, Cygnus, a Californian drug delivery company, is developing products that use electricity to move molecules through the skin in both directions. They want not only to drive drugs into the bloodstream but also to do the reverse - extract biological products from the patient for monitoring on the skin.

Cygnus is testing a prototype GlucoWatch, worn like a wrist-watch, to enable diabetics to monitor glucose levels painlessly, without having to prick their fingers to extract a drop of blood. It draws glucose up through the skin into a transdermal patch, where the level is measured and displayed on the GlucoWatch.

The series looked at oral drug delivery in September and inhaled drugs last month. Next month the Technology Page will introduce a series on human genetics.

## Worth Watching - Vanessa Houlder



## Mass production for superior chips

Chips made from gallium arsenide have some significant advantages over silicon chips. Their uptake has been held back by the complexity of the manufacturing process, but the development of a fully automatic mass production system developed in Germany could change that.

The Fraunhofer Institute for Applied Solid State Physics has constructed a machine that can coat more than 200 single wafers without interruption. The system is faster than previous models, has reduced the change of contamination and needs maintenance after four to six weeks, rather than weekly. Aixtron in Aachen and Thomas-Swan, a UK manufacturer have acquired a licence to duplicate and market the reactor.

Fraunhofer Institute for Applied Solid State Physics, Germany, tel 761515944; fax 761515940.

## On-screen eye testing

City University in London has devised a computer program capable of performing eye tests on users of personal computers. The advantage of using the display screen to present the

tests is that the results give direct information about how eyes are performing under normal VDU viewing conditions. The tests pick up features such as visual acuity, muscle balance and eye co-ordination.

City Visual Systems is also developing a computerised vision screener for school children and a screening system for drivers.

City Visual Systems: UK, tel (0)181 5590800; fax (0)181 4316100.

## Taste, smell and flavour

The experience of flavour draws on both taste and smell. Yet the brain processes and stores its experience of flavours in a separate part of the brain to where it processes taste and smell. Researchers from the Weizmann Institute and the American University in Washington believe they have identified the site where nerve signals conveying taste and smell converge in a rat's brain. This is the brain's frontal lobe, which is different from the areas handling the two components of flavour.

The scientists think their findings may be of potential interest to specialists trying to treat appetite disorders and to food manufacturers.

Weizmann Institute of Science: Israel, tel 8342111; fax 8344132.

## Look ahead at traffic signs

Researchers at Daimler-Benz have developed a traffic sign recognition system, which will warn drivers of restrictions ahead, such as No Entry or No Overtaking.

writes Sheila Jones. The system uses on-board video cameras linked to image processing computers that can distinguish between restrictive and information signs.

The company says it will be some years before the product is available commercially. The project is part of the European Union Prometheus research programme.

Daimler-Benz, Eggenstein, Germany, tel (49) 7117 93807.

## Japanese bets on the Internet

SSP International Sports Betting, a UK-based bookmaker, hopes to increase its Japanese client base - a meagre 4,000 - by accepting bets through the Internet, writes Emilio Terazono. The Internet site specifically for the Japanese market offers at present odds on Japanese sporting events such as sumo wrestling and professional soccer. Currently, SSP accepts bets from overseas clients by telephone and facsimile. It also takes bets on Japanese horse racing that are not offered by the Japan Racing Association.

Japanese law bans betting services by private operators, but SSP believes that the new service via the Internet will not be illegal.

SSP, which offers odds on most international sporting events to some 400,000 clients worldwide, plans to expand the Internet service to other international clients, offering interactive sports betting on-line on its site in 15 languages.

SSP International: UK, tel (0) 171 359 5390UK; Internet address: <http://www.ssp.co.uk>.

## CONTRACTS &amp; TENDERS

GOVERNMENT OF THE STATE OF CEARÁ  
URBAN DEVELOPMENT AND THE ENVIRONMENT AGENCY  
CENTRAL TENDER COMMITTEE  
CALL FOR TENDERS

PUBLIC INTERNATIONAL TENDER # 066/95

The Central Tender Committee, created by the Urban Development and Environment Agency of the State of Ceará, invites Brazilian and companies of foreign countries considered members of the Inter-American Development Bank to take part in the International Public Tender # 066/95. This tender has for object the construction of work and services relating to the basic sanitation infrastructure of Fortaleza, Ceará, Brazil. The works and services of the above mentioned Tender are the following:

Lot	Description	Duration (Working Days)
01	Construction of Sub-Station 12 - 82.0 Km of average net and 11,859 housing connections. Construction of Sub-Station 203 - 28.4 Km of average net and 4,299 housing connections. Construction of Sub-Station C3, C4, C5, C6, C7, C8, C9, C10, C11, C12, C13, C14, C15, C16, C17, C18, C19, C20, C21, C22, C23, C24, C25, C26, C27, C28, C29, C30, C31, C32, C33, C34, C35, C36, C37, C38, C39, C40, C41, C42, C43, C44, C45, C46, C47, C48, C49, C50, C51, C52, C53, C54, C55, C56, C57, C58, C59, C60, C61, C62, C63, C64, C65, C66, C67, C68, C69, C70, C71, C72, C73, C74, C75, C76, C77, C78, C79, C80, C81, C82, C83, C84, C85, C86, C87, C88, C89, C90, C91, C92, C93, C94, C95, C96, C97, C98, C99, C100, C101, C102, C103, C104, C105, C106, C107, C108, C109, C110, C111, C112, C113, C114, C115, C116, C117, C118, C119, C120, C121, C122, C123, C124, C125, C126, C127, C128, C129, C130, C131, C132, C133, C134, C135, C136, C137, C138, C139, C140, C141, C142, C143, C144, C145, C146, C147, C148, C149, C150, C151, C152, C153, C154, C155, C156, C157, C158, C159, C160, C161, C162, C163, C164, C165, C166, C167, C168, C169, C170, C171, C172, C173, C174, C175, C176, C177, C178, C179, C180, C181, 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02	Construction of Sub-Station 204, 205 - 120.5 Km of average net and 16,776 housing connections. Construction of Sub-Station 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, C1000.	510
03	Construction of Sub-Station 301 - 40.4 Km of average net and 11,669 housing connections. Construction of Sub-Station 304, 309 - 59.5 Km of average net and 4,299 housing connections. Construction of Sub-Station C12, C13, C14, C15, C16, C17, C18, C19, C20, C21, C22, C23, C24, C25, C26, C27, C28, C29, C30, C31, C32, C33, C34, C35, C36, C37, C38, C39, C40, C41, C42, C43, C44, C45, C46, C47, C48, C49, C50, C51, C52, C53, C54, C55, C56, C57, C58, C59, C60, C61, C62, C63, C64, C65, C66, C67, C68, C69, C70, C71, C72, C73, C74, C75, C76, C77, C78, C79, C80, C81, C82, C83, C84, C85, C86, C87, C88, C89, C90, C91, C92, C93, C94, C95, C96, C97, C98, C99, C100, C101, C102, C103, C104, C105, C106, C107, C108, C109, C110, C111, C112, C113, C114, C115, C116, C117, C118, C119, C120, C121, C122, C123, C124, C125, C126, C127, C128, C129, C130, C131, C132, C133, C134, C135, C136, C137, C138, C139, C140, C141, C142, C143, C144, C145, C146, C147, C148, C149, C150, C151, C152, C153, C154, C155, C156, C157, C158, C159, C160, C161, C162, C163, C164, C165, C166, C167, C168, C169, C170, C171, C172, C173, C174, C175, C176, C177, C178, C179, C180, C181, C182, C183, C184, C185, C186, C187, C188, C189, C190, C191, C192, C193, C194, C195, C196, C197, C198, C199, C200, C201, C202, C203, C204, C205, C206, C207, C208, C209, C210, C211, C212, C213, C214, C215, C216, C217, C218, C219, C220, C221, C222, C223, C224, C225, C226, C227, C228, C229, C230, C231, C232, C233, C234, C235, C236, C237, C238, C239, C240, C241, C242, C243, C244, C245, C246, C247, C248, C249, C250, C251, C252, C253, C254, C255, C256, C257, C258, C259, C260, C261, C262, C263, C264, C265, C266, C267, C268, C269, C270, C271, C272, C273, C274, C275, C276, C277, C278, C279, C280, C281, C282, C283, C284, C285, C286, C287, C288, C289, C290, C291, C292, C293, C294, C295, C296, C297, C298, C299, C300, C301, C302, C303, C304, C305, C306, C307, C308, C309, C310, C311, C312, C313, C314, C315, C316, C317, C318, C319, C320, C321, C322, C323, C324, C325, C326, C327, C328, C329, C330, C331, C332, C333, C334, C335, C336, C337, C338, C339, C340, C341, C342, C343, C344, C345, C346, C347, C348, C349, C350, C351, C352, C353, C354, C355, C356, C357, C358, C359, C360, C361, C362, C363, C364, C365, C366, C367, C368, C369, C370, C371, C372, C373, C374, C375, C376, C377, C378, C379, C380, C381, C382, C383, C384, C385, C386, C387, C388, C389, C390, C391, C392, C393, C394, C395, C396, C397, C398, C399, C400, C401, C402, C403, C404, C405, C406, C407, C408, C409, C410, C411, C412, C413, C414, C415, C416, C417, C418, C419, C420, C421, C422, C423, C424, C425, C426, C427, C428, C429, C430, C431, C432, C433, C434, C435, C436, C437, C438, C439, C440, C441, C442, C443, C444, C445, C446, C447, C448, C449, C450, C451, C452, C453, C454, C455, C456, C457, C458, C459, C460, C461, C462, C463, C464, C465, C466, C467, C468, C469, C470, C471, C472, C473, C474, C475, C476, C477, C478, C479, C480, C481, C482, C483, C484, C485, C486, C487, C488, C489, C490, C491, C492, C493, C494, C495, C496, C497, C498, C499, C500, C501, C502, C503, C504, C505, C506, C507, C508, C509, C510, C511, C512, C513, C514, C515, C516, C517, C518, C519, C520, C521, C522, C523, C524, C525, C526, C527, C528, C529, C530, C531, C532, C533, C534, C535, C536, C537, C538, C539, C540, C541, C542, C543, C544, C545, C546, C547, C548, C549, C550, C551, C552, C553, C554, C555, C556, C557, C558, C559, C560, C561, C562, C563, C564, C565, C566, C567, C568, C569, C570, C571, C572, C573, C574, C575, C576, C577, C578, C579, C580, C581, C582, C583, C584, C585, C586, C587, C588, C589, C590, C591, C592, C593, C594, C595, C596, C597, C598, C599, C600, C601, C602, C603, C604, C605, C606, C607, C608, C609, C610, C611, C612, C613, C614, C615, C616, C617, C618, C619, C620, C621, C622, C623, C624, C625, C626, C627, C628, C629, C630, C631, C632, C633, C634, C635, C636, C637, C638, C639, C640, C641, C642, C643, C644, C645, C646, C647, C648, C649, C650, C651, C652, C653, C654, C655, C656, C657, C658, C659, C660, C661, C662, C663, C664, C665, C666, C667, C668, C669, C670, C671, C672, C673, C674, C675, C676, C677, C678, C679, C68	



IN THE BLEAK  
MIDWINTER  
Kenneth Branagh

THE SANTA CLAUSE  
John Pasquin

ELISA  
Jean Becker

MURDER IN THE FIRST  
Marc Rocco

SISTER MY SISTER  
Nancy Meckler

CANDYMAN 2: FAREWELL  
TO THE FLESH  
Bill Condon

Let's put the show on right here! woot the cry in a dozen Hollywood musicals. A band of carefree amateurs, played by ruthlessly drilled professionals (Garland, Rooney, Durbin and Co) took over schools, barns or gyms to kick their legs and strum their larynxes. Usually, too, there was a good cause. They wanted to save the school, barn or gym from passing balliffs or axemen.

Who says the cinema does not go round in circles? The show in Kenneth Branagh's amiable, energetic *In The Bleak Midwinter* is *Hamlet*, and the cast of amateurs assembled by our hero, fabled actor-director Michael Maloney, hope that profits will - yes - save the development-threatened rural church where they are putting it on.

We start as if the film is taking a course of cynicism injections to protect against luvviedom. Black-and-white photography, wintry skies, and Noel Coward singing "Why must the show go on?" over the titles. But what price inoculations if you have the disease already? No enterprise could be wholly uninvolved that has Branagh behind the camera and most of all of his mates in front.

Richard Briers is Claudius, John Sessions in drag is Gertrude, Jennifer Saunders plays a visiting Hollywood producer - toying with her cigarette like *Chaplin* with her asp - and Joan Collins swishes through very nicely as a vengeful agent.

Meanwhile Branagh himself all but ventriloquises the main role. Moloney's hero is the stage director as overgrown schoolboy, prancing, forehead-clutching and brainstorming his way through legends of interpretation when not listening to those of others. "Hamlet is Bosnia, sex, biology..." burlesque one actor to the bemused company. On the night, though, this *Hamlet* ends up a well-intended chaos: lost more in swathes of stage mist than obscurities of interpretation.

The film is a chaos too, but an endearing one. The wit level is early *Caddy* on - "I hope I can keep it up, I beg your pardon!" - and Branagh has hardly strained after subtlety in the symbolism. The village is called Hope. But this jejune transparency is rather refreshing after the over-



Well-intended chaos: Richard Briers and John Sessions get out the greasypaint in Kenneth Branagh's new film, 'In The Bleak Midwinter'

### Cinema

## A right carry on over Hamlet

reachings of *Frankenstein*, and bathos can be a likable comic style. When Moloney misses out on his promised chance of a Hollywood contract - Saunders dumps him and takes his second lead instead - we sense Branagh playfully mocking his own bruises as a showbiz wonderboy fallen from high places.

The *Santa Clause* is an advance weather flurry before Christmas. We may be snowed on more heavily later, but we can begin right now to get used to underfoot sentimental slushiness. Tim Allen plays the father who inherits Santa duties after finding a note on a dying Father Christmas. "Put on my suit, the reindeer will know what to do," Allen grows a magical beard and paunch. Then before you can say "Computer graphics skyscape", he and his children are riding through the starry night to the North Pole.

Back on Earth there follow vain attempts to dismiss fact as fantasy. "We did not go to the North Pole," says Allen. "You're in denial, Dad," says the children trained in psychobabble. And our hero also has troubled encounters with law and folk-

lore. Cops arrest him when he conscientiously resumes his Santa guise; and he must cope with ever-earlier creatures from the other dimension ("Were your worst nightmare - dives with attitude.") It passes a possible 100 minutes. But do make sure your children are armed with schmaltz-detectors for the stickier passages of Yuletide family bonding.

### Nigel Andrews

There are two different tales being told in Jean Becker's *Elisa*: the first, a slightly sweetened tangle around Parisian low-life, is reasonably effective. Vanessa Paradis plays Marie, a teenager who has learnt to live on the streets ever since her mother committed suicide when she was three. She teams up with a couple of chums, Clochette (Cécile de France) and Sékou (Sékou Sall), and the three of them, low on self-esteem but adroit at the latest franc-filmic seams, cause various types of havoc, especially when they choose to target the hypocrit-

cal rituals of the *petite-bourgeoisie*. But underlying the apparently carefree naughtiness is Marie's mission: to track down and take revenge upon her father, Jacques (Gerard Depardieu) for abandoning her mother all those years ago. And once she finds him, hoisted and belching obscenities in a seaside bar, the film takes a portentous, and rather tedious, turn. There are hints of an eroticism that darts not speak its name, a simplistic message that all we need is love, and a massively unconvincing final redemptive embrace. Paradis pouts and struts with telling effect, but, crucially, one loses touch with what is happening in her head long before the end.

Not many punches are pulled in the gruesome opening scenes of *Murder In The First*. Marc Rocco's worthy adaptation of a true story, Henri Young (Kevin Bacon) is forced to suffer solitary confinement for more than three years after being caught attempting to escape Alcatraz. On release, he slabs the fellow convict who stitched him up - a clear case of first degree murder. But the case captures the imagina-

tion of young attorney James Stamphill (Christian Slater) who, in his defence of Young, exposes the horrific conditions at America's best-loved penal institution. Prisoner and lawyer form an unlikely bond, and the trial forces a long-overdue reform of prison conditions. Slater and Gary Oldman, playing (just for a change) a psychotic-on-the-edge warden, provide solid support to Bacon's *tour-de-force* performance, but there is just a touch too much sentimentality in the final courtroom scenes, impressively directed by Rocco, to lift the film into a higher gear.

Nancy Meckler's *Sister My Sister*, based on the true story which also inspired Jean Genet's *The Maids*, is the kind of film which thinks nothing of zooming in on a tap dripping to denote the passage of time. It then focuses on the surface on which the drips are dripping just to press home the point. It is a slow film; yet there is a well-controlled build-up in tension as the sisters, excellently played by Joely Richardson and Judith May, retreat into a private world of claustrophobic eroticism before letting rip, literally, on the well-fed bodies

of their employers. Julie Walters just about steals the film with a memorably monstrous portrayal of Madame Danzard while Sophie Thérault is also highly effective as her daughter Isabelle.

*Candyman 2: Farewell To The Flesh* is a truly dreadful follow-up to the mildly diverting original version of Clive Barker's horror story. Daniel Robitaille (Tony Todd), the son of a slave in the 1890s, was set upon by a racist mob for coveting with the white landowner's daughter. Now his ghost comes back to New Orleans every time he is called (by somebody reciting his name five times into a mirror), and rips people apart with his book-hand. The NUPD are puzzled, until they see video evidence of a man having his guts torn out in mid-air. A pretty local school-teacher (Kelly Rowland) feels sorry for him, but still breaks the mirror which contains his soul. There is a storm, and everyone feels guilty about slavery. Welcome, and I hope farewell, to a ghastly new genre: politically correct schlock-borror.

Peter Aspdren

### Theatre//Alastair Macaulay

## A hollow ring to 'Break of Day'

not at the Royal Court, where the Cuckaids give it only in 1990.

But Wertenbaker's writing is at its least convincing whenever she drags in poor Chekhov. Like everything else in her play, *The Three Sisters* becomes a mere literary device.

Act One depicts the 40th birthday of one of the characters, Tess. As it happens, I too have celebrated my 40th birthday this year; I too invited friends who included an editor, an actor, a pregnant woman, a singer, a classics gem, a 40-year-old woman hoping for a child, feminists, New Labour supporters; but not for a second does Wertenbaker's gathering

ring a bell. Perhaps that is because my *dramatis personae* omitted a Bosnian maid of Sapphic tendencies.

It also omitted speeches such as "I felt so powerful. There you were, an all-female band, and I was the only woman reporter on a rock magazine. Women were exploding everywhere, with their anger, hunger, confidence, all these possibilities. We talked all night, you must remember..."

Alas, the rapid dialogue between characters is worse.

And *The Break of Day* rings equally hollow in Act Two and the five-minute Act Three: in which Tess alienates Robert in her desperate

quest to have a baby of her own. Nina and Hugh spend ages in eastern Europe trying to adopt a baby, and poor April - who carries on working - is shelved until the last minute. Wertenbaker is not without theatrical talent - she can often redeem a situation with humour, and her situations certainly have variety - but everything in this play reeks of contrivance.

A more highly stylised form of acting from all concerned might possibly make some kind of virtue of Wertenbaker's artificial writing; but probably not. And, however these lines and characters are played, it

would surely be impossible to give very good performances of them. Stafford-Clark has his actors using a more or less naturalistic method, trying to do shabby caricature with the Eastern European characters. I want to applaud the way that well-known actresses like Maria Friedman (Nina) and Anita Dobson (April) try to extend their range by tackling plays like this; in the event, however, the play does not return the compliment. Both look limited; Dobson's pacing is especially leaden. Catherine Russell plays Tess in an unvarying mood of unhappy tension. Nigel Terry is more stagey and artificial than the role of the actor Robert calls for... and so on. The mid-aged-trendy songs are by Jeremy Sans. Nobody comes well out of this production.

At the Royal Court, London SW1.

John Allison

## ARTS GUIDE

### AMSTERDAM

**CONCERT**  
Concertgebouw  
Tel: 31-20-5730573  
● Hanover Band: with conductor and harpsichord-player Nicholas McGegan, soprano-titist Rachel Brown, oboist Frank de Bruine and violinist Benjamin Hudson perform works by Vivaldi, Bach, Boyce and Handel; 8.15pm; Dec 2

### BERLIN

**DANCE**  
Staatsoper unter den Linden  
Tel: 49-30-2082861  
● The Nutcracker: a choreography by Wainonen/Schallow to music by Tchaikovsky. Conducted by Sebastian Weigle and performed by the Ballet unter den Linden; 8pm; Dec 1, 2 (7pm), 3 (3.30pm), 6 (6pm)

### COLOGNE

**OPERA & OPERETTA**  
Opernhaus Tel: 49-221-2218240  
● Die Zauberflöte: by Mozart. Conducted by Georg Fischer and

performed by the Oper Köln. Soloists include Amanda Helmigson, Nina Stenme, Rainer Trost, Reinhard Dorn and Franz-Josef Sellig; 7.30pm; Dec 2

### DUBLIN

**CONCERT**  
National Concert Hall - Geolras Naíonanta Tel: 353-1-6711533  
● Vanbrugh String Quartet: 10th Anniversary Celebration concert with works by Beethoven, performed by violinists Gregory Ellis and Elizabeth Charleston, viola-player Simon Aspell and cellist Christopher Marwood; 8.15pm; Dec 3

### DUSSELDORF

**THEATRE**  
Düsseldorfer Schauspielhaus Tel: 49-211-38870  
● Das Kynographen: by Maimet. Directed by Detlef Altenbeck and performed by the Düsseldorfer Schauspielhaus. The cast includes Michaela Stelger, Ija Richter and David Kosock; 7.30pm; Dec 1

### FRANKFURT

**THEATRE**  
Schauspielhaus Tel: 49-69-21237444  
● Der Besuch der alten Dame: by Dürrenmatt. Directed by Thomas Schütz-Michels and performed by Schauspiel Frankfurt. The cast includes Eva Gosciniak and Peter Lerchbaumer; 7.30pm; Dec 1, 2

### GOTHENBURG

**OPERA & OPERETTA**  
Göteborgs Operan

Tel: 46-31-108000  
● Jenufa: by Janáček. Conducted by Ulf Scherhorn, directed by David Fackel and performed by Göteborgs Operan; 8pm; Dec 2

### HELSINKI

**CONCERT**  
Finlandia-talo - Finlandia Hall Tel: 358-0-40241  
● Three Finnish Ballads: Matti Salminen, Jukka Rytönen and Juhani Tili, with conductor Leif Segerstam and the Helsinki Filharmonia, perform arias from well-known operas; 8pm; Dec 5  
Opera House Tel: 358-0-403021  
● The Nutcracker: by Tchaikovsky. Performed by the Finnish National Ballet in a choreography by Rudolf Nureyev after Petipa; 7pm; Dec 1, 5

### LONDON

**CONCERT**  
Barbican Hall Tel: 44-171-6398891  
● Messiah: by Handel. Performed by the English Chamber Orchestra and the Goldsmiths' Choral Union with conductor Brian Wright, soprano Ruth Hollen, mezzo-soprano Catherine Denley, tenor Richard Edgar-Wilson and bass Josik Koc; 7.30pm; Dec 6  
Royal Festival Hall Tel: 44-171-604242  
● Scheherazade: the Philharmonia Orchestra with conductor Yevgeny Svetlov and violinist Vladimir Spivakov perform Elsakova's "Scheherazade", Tchaikovsky's "Violin Concerto" and Mussorgsky/Ravel's "Pictures at an Exhibition" in the Russian Series; 7.30pm; Dec 2  
St John's, Smith Square

Tel: 44-171-2221061  
● Chorus Georgian Camerata: with conductor Janet Liné, soprano Elizabeth Gale, tenor Vernon John Kirk, countertenor Andrew Watts and baritone Richard Jackson perform Mozart's "Symphony No.29" and "Exultate Jubilate", and Bach's "Cantata No.52" and "Magnificat"; 7.30pm; Dec 1

**EXHIBITION**  
Spink & Son Tel: 44-171-9307888  
● The Botanical Garden by Gillian Barlow: 50 watercolours of garden plants, painted by Barlow, in Spink's annual Christmas Exhibition; from Dec 1 to Dec 22

**OPERA & OPERETTA**  
Royal Opera House - Covent Garden Tel: 44-171-2401200  
● Fedone: by Giordano. Conducted by Edward Downes and performed by the Royal Opera. Soloists include Maria Guleghina, Rosemary Joshua, José Cura and María Jagúez; 7.30pm; Dec 2

### LYON

**OPERA & OPERETTA**  
Opéra de Lyon Tel: 33-72 00 45 45  
● L'Elisir d'Amore: by Donizetti. Conducted by Donato Ponzatti and performed by the Opéra de Lyon. Soloists include Leontina Vaduva,

Roberto Alagna and Gabriel Bacquier; 8.30pm; Dec 1, 3 (5pm)

### NEW YORK

**CONCERT**  
Carnegie Hall Tel: 1-212-247-7800  
● Brandenburg Concertos: by J.S. Bach. Performed by the Orpheus Chamber Orchestra; 7pm; Dec 4  
The Walter Reade Theatre Tel: 1-212-675-5050  
● Norman Krieger: the pianist performs works by Beethoven, Debussy and Prokofiev; 11am; Dec 3

**EXHIBITION**  
International Center of Photography Tel: 1-212-860-1777  
● Country Beside itself: Lars Tunbjörk: the Swedish photographer explores commercialism and organised leisure in Sweden; from Dec 1 to Feb 11

**JAZZ & BLUES**  
Blue Note Tel: 1-212-475-8592  
● James Moody Quartet and Joshua Redman Quartet: featuring Mulgrew Miller, Todd Coolman, Winard Harper, Peter Martin, Chris Thomas and Brian Blade; 8pm & 11.30pm; Dec 5, 6, 7, 8, 9, 10

**OPERA & OPERETTA**  
Metropolitan Opera House Tel: 1-212-362-6000  
● Mahagonny: by Weill. Conducted by James Levine and performed by the Metropolitan Opera. Soloists include Ann Panagoulis, Helga Dernesch and Kenneth Riegel; 8pm; Dec 2, 6, 9 (1.30pm)

### PARIS

**CONCERT**  
Salle Pleyel Tel: 33-1 45 61 53 00  
● Orchestre Colonne: with

conductor Antonello Allemandi and pianist Ilean Rogoff perform Rachmaninov's "Piano Concerto No.2" and Tchaikovsky's "Symphony No.6"; 8.30pm; Dec 4

**OPERA & OPERETTA**  
Théâtre de l'Opéra Comique Tel: 33-1 42 86 98 83  
● Dido and Aeneas: by Purcell. Conducted by Michel Uhlmann and performed by the choir, soloists and orchestra of the Académie Baroque Européenne de l'abbaye d'Ambronay; 7.30pm; Dec 2, 3 (4pm)

**ROME**  
**CONCERT**  
Accademia Nazionale di Santa Cecilia Tel: 39-6-3811084  
● György Sandor: the pianist performs works by Bach/Busoni, Mozart, Bartók, R. Schumann, Kodály, Debussy and Prokofiev; 8.45pm; Dec 1

**VIENNA**  
**CONCERT**  
Konzerthaus Tel: 43-1-7121211  
● Thomas Riebl, Gabriele Sima and Cordelia Höfer: the viola-player, mezzo-soprano and pianist perform works by Hindemith, Brahms, Britten and Elschlag. One of the Mozart-Fest performances; 3.30pm; Dec 3

**WASHINGTON**  
**CONCERT**  
Concert Hall Tel: 1-202-467 4800  
● Dmitri Hvorostovsky: the baritone sings a selection of songs by Rachmaninov and the Washington premiere of Stravinsky's "Russian Cast Adrift"; 8.30pm; Dec 1

**WORLD SERVICE**  
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Financial Times Business Tonight  
Midnight  
Financial Times Business Tonight



## COMMENT &amp; ANALYSIS

Economic Viewpoint • Samuel Brittan

## Merits of postponed virtue

Those financial critics demanding a more drastic cut in the budget deficit would have thought the chancellor mad if he had acted on their advice



Some financial commentators would have liked a wonder tonic for Conservative electoral prospects from Tuesday's British budget combined with increased fiscal virtue. As miracles are highly improbable (see David Hume's classic essay on the subject two and a half centuries ago) the City could not be given this particular delight.

In the event it was worried by two specific aspects: the disappointingly high budget deficit estimated for the present financial year and the frenzied market rumours of an impending interest rate cut.

The chancellor, Kenneth Clarke, was able to reduce the latter worry by going on the air to say that no decision on interest rates would be made until his meeting with Mr Eddie George, the Governor of the Bank of England, on December 13. He also said that the Treasury forecasts - which many regard as over-optimistic about the real economy - do not assume any change in interest rates. This is quite true and in line with normal practice.

Nevertheless, the outlook for the economy is more worrying than the fiscal red ink. Perhaps the House of Commons has had to listen to too many macro-economic disquisitions in the 1980s and 70s and too many monetary sermons in the 1990s; and the reaction against them is understandable. But the pendulum has swung much too far, with the almost complete disappearance of this section of the budget speech. The point is a very practical one, as it is the economic outlook on which the budget documentation is most vulnerable.

Let us, however, deal with the fiscal red ink first. The story here is the old Augustinian one - named after the saint who asked God to make him chaste, but not yet. The 1994 budget, like the one before, laid down a path for a declining public sector borrowing requirement both absolutely and as a share

of gross domestic product. The path is still there, but it has been affected by "fiscal drift". The public sector borrowing requirement for this financial year is now estimated to be £28bn, compared with £21½bn in the 1994 Red Book. The estimate for next year is now £22½bn, compared with £13bn first projected.

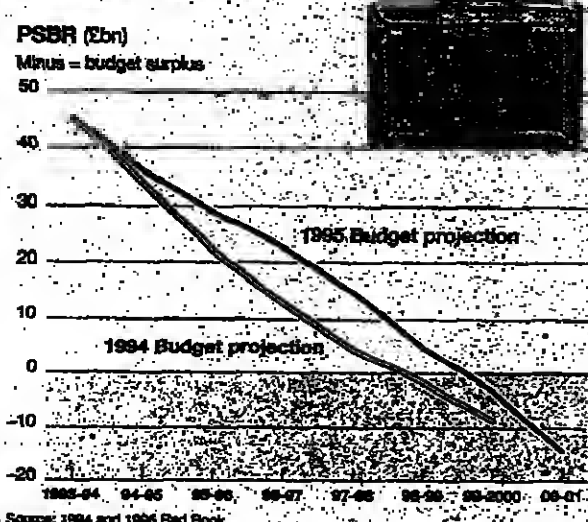
Starting from where we are, there is the same downward slope, but the whole curve has been shifted bodily upward as shown in the chart. On present expectations the PSBR, which was originally expected to drop to the magic proportion of 3 per cent of GDP this year, will not do so until 1996-97. It is still hoped to finance all current spending from revenue in 1998 and to move to repayment by 2000.

As there was already a budget surplus in the years 1987-90, albeit at a cyclical peak, the progress envisaged is hardly sensational. Nevertheless, nothing would have been more counterproductive than an attempt to slash public spending and/or to switch from "tax cuts" to tax increases to regain the original deficit reduction path. The main reason why the PSBR has overshoot is a shortfall in revenue. Public spending, which is planned in cash terms, is actually expected to come in this year at slightly below the original plan. It is true that it did not fall in real terms as the Treasury also expected. This was because the measure of inflation used for making the conversion - the GDP deflator - turned out lower than expected. Is that bad news?

The revenue shortfall is partly due to economic growth being below forecast and partly to the tax yield of a given GDP being less than hoped. The Treasury has simply projected a continuation of this latter element of shortfall in future years - like a locomotive pushing a trailer in front of itself.

If the chancellor had made draconian cuts in public

## Virtue tomorrow



spending or increased taxes, the very financial commentators who implicitly asked him to do these things, would have thought he had gone mad. In purely mechanistic terms, these measures would have reduced demand at a time when the economy is quite vulnerable. This further setback to growth would have reduced, if not eliminated, any fiscal gain from taking the puritan path.

In more practical terms there would have been such an anti-Tory swing, that confidence would have dropped like a stone and the next move in interest rates would have been

up not down. Thus the draconian course would not have worked, even in its own terms. As it is, three of the most specific indicators looked at by the Treasury, and even more the Bank, in determining monetary policy are facing the wrong way. One monetary aggregate, M0, is above its official monitoring range; and the other, M4, is almost at the top of its range. The sterling index has fallen about 5 per cent this year and hovers around the all-time low. There are, as always, special factors at work. But it would be surprising if all three could be explained away so easily. Indeed I should not like to do so before Eddie George, Hans Tietmeyer, or any other central bank governor.

The most vulnerable element in the UK economic outlook relates to stocks. That is only a lead-in. The stock ratio is rising because final demand from domestic and overseas buyers has been disappointing. Indeed real GDP would have fallen in the third quarter of 1995, had it not been for an abnormally high increase in stocks.

The Treasury notes this development, but simply assumes that stock building

will only fall a little from its present levels and that final demand will recover. Indeed the behaviour of stocks is relegated to one small paragraph in the Red Book. The world economy, on which export demand so heavily depends, is given more space, but without any imagination or insight.

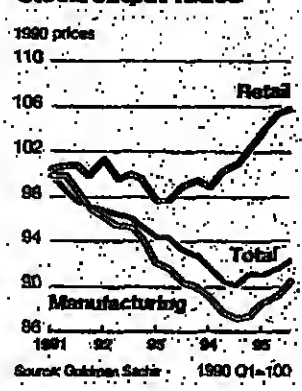
The mainstream international forecasts, showing steady 2½ per cent growth per annum up to 1997 in the Group of Seven main industrial countries, are reproduced without any discussion of risks, let alone of policy co-ordination. Even if the chances of a continued growth recession are one in three, they are still serious.

The most cheerful part of the Red Book, and one which is much better researched, shows that UK international competitiveness, properly defined, has increased even more than generally realised. The Treasury has also recognised some elements of supply-side improvement and raised its guess about the trend growth from 2½ to 2½ per cent per annum. This may not seem much, until one remembers that to persuade the Treasury to raise its view of supply potential is more difficult than moving the Himalayas.

The inference is that the UK is well placed to take advantage of any resumption of normal world growth but badly placed to take a lead in giving a stimulus. If world growth continues to disappoint, then the closing of the British budget deficit may have to be postponed still further.

That would just be too bad. Prudent public finance consists of setting a path for spending and revenue consistent with balance or a modest deficit over a normal cycle when the economy is growing at trend rate. It does not consist of blindly pursuing balance in particular years, irrespective of what the economy is doing. If those who claim to speak for the financial markets think otherwise, they are plain wrong.

## Stock/output ratios



Source: ONS, 1995 Red Book

BOOK REVIEW David Buchan

LES VOLONTAIRES DE L'AN 2000 By François Heisbourg  
Balland, FF120

## All guns blazing on French defence policy



This book is well-timed. France is on the eve of some big decisions on the future of its defence. President Jacques Chirac is due to take these next spring, on the basis of a series of government reports now under preparation on all of the country's military policies and programmes.

He would do well to heed this contribution from one of the few Frenchmen to combine real knowledge of the wider strategic scene with a grounding in France's defence industry. Heisbourg served as director of the London-based International Institute for Strategic Studies and now works for Matra Defence.

France has been slow to adapt its defence to the ending of the cold war. In the five years after the fall of the Berlin wall in 1989, French defence spending fell a mere 4 per cent below its cold-war peak, compared with cuts of 24 per cent in the US and the UK, and 27 per cent in Germany. But the French government can no longer spare defence in its desperate quest for ways of reducing its deficit. The crash is coming.

Heisbourg offers no soft landing: the time is already past to draw the peace dividend without unacceptable consequences, he says. Rather, he suggests a new landing zone for French defence planners to aim at. "An effective nuclear deterrent with fewer weapons than at the time of the Soviet threat, and a professional and smaller army with better equipment and mobility."

France faces few serious threats, says Heisbourg. He dismisses the "worst case" alarmists among his countrymen. The Red Army is not what it was, as its chaotic if brutal behaviour in Chechnya showed. Nuclear proliferation is in some ways less of a problem than it seemed 20 years ago, he says. France's overseas territories are not threatened with invasion. Yet, says Heis-

bourg, France intervened abroad in 1991-95 more than at any time since the colonial era: in Bosnia, Croatia, Cambodia, south Lebanon, the Gulf, Kurdistan, Rwanda.

To carry out these largely peacekeeping missions, France still has an army appropriate for the cold war. It is still 240,000 strong, the majority conscripts peeling potatoes in garrisons along the German border. A few elite units such as the marines, parachute brigade, aeromobile division and the Foreign Legion are much in demand for overseas missions where there is a risk to life. Partly because it sent no conscripts, France was able to field a contingent in the Gulf less than half the size of the UK's, despite having an army twice the size.

Not surprisingly, Heisbourg's main prescription is scrapping conscription - a proposal that is no longer taboo in France. Mr Chirac talked of moving towards a professional army before he became president.

Heisbourg swiftly disposes of the arguments raised against the proposal. National service in France has not provided a cure for social ills such as unemployment. It is not a "social mixer" - because French "yuppies" can often wangle themselves alternative national service in a London-based bank. Nor is it a "racial mixer" to the degree that it is in the professional US forces, where minorities can rise to the top. An all-professional army of 160,000 or less could be cheaper than the present set-up, says Heisbourg, and far more effective.

Heisbourg also challenges the resources consumed by the air force and navy. The air force aims to keep roughly the same number of people over the next five years, despite reducing the number of its planes by a third. As for the navy, France has 64,000 sailors to crew 35 major surface ships and submarines while the UK gets by with 51,000 sailors for 50 such craft.

He queries the strategy on aircraft carriers, which involves the construction of a large new nuclear-powered carrier, the Charles de Gaulle. Heisbourg regrets that France did not opt for UK-style "Harrier carriers", half the size of the Charles de Gaulle and designed to launch Harrier jump-jets. He argues that a second nuclear-powered carrier should be built to ensure one is always at sea; having just one is like trying to walk with one shoe, he claims.

Elsewhere, however, Heisbourg would wield the axe - on a new nuclear missile submarine, on a fourth nuclear missile submarine, on the NH-90 helicopter troop transport and the Future Large Aircraft. He argues that these are either redundant or available more cheaply off the US shelf.

For all his laudatory references to the UK services as a model for France, Heisbourg warns that his country should not give priority to military co-operation with Britain. "Tempting though that might seem in the wake of close Franco-British partnership in Bosnia, it would be at the expense of reinforcing its defence relationship with Germany or Europe as a whole."

He warns his compatriots that France's defence ambitions for Europe often seem arrogant and self-serving in other Europeans. Paris buzz phrases such as "a European defence policy" or "strategic independence for Europe" are often read abroad as "French defence policy paid for by Europeans" or "carte blanche for Paris's nuclear decisions".

On nuclear testing, Heisbourg does not satisfactorily analyse to what extent the hostility of many Europeans to French nuclear tests in the Pacific may require Paris to scale down its ambitions for European defence co-operation. But the fact that France retains the highest defence ambitions in Europe gives this book a wide relevance.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HE

## Brussels must tackle farm policy

From Mr Philip Bowyer.

The report on the meeting of European Union member states on postal and telecommunications services ("Brussels telecom reform hits hurdle", November 28) once again raises concerns about Commissioner Karel van Miert's disregard for democratic processes in the EU.

Earlier this year the Commission agreed on a draft directive for postal services. That agreement was reached after several years of often difficult consultation with all the parties concerned.

The agreement clearly did not meet the desires of Mr van Miert, who had for some time been pressing the Commission

## EU commissioner flouts democracy

From Mr Philip Bowyer.

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Earlier this year the Commission agreed on a draft directive for postal services. That agreement was reached after several years of often difficult consultation with all the parties concerned.

The agreement clearly did not meet the desires of Mr van Miert, who had for some time been pressing the Commission

to adopt measures of extreme liberalisation, based on a limited understanding of postal services, to be forced on to member states by use of article 90(3).

Disappointed by this defeat, Mr van Miert then proposed to sabotage the draft directive by issuing a notice which went well beyond the provisions of the directive and in certain cases quite simply contradicted it.

The European parliament has called for the notice to be withdrawn. The ministers have now delayed its publication by one year.

Forced to back down again, Mr van Miert is reported to have said in effect that the notice was unnecessary and he

will in any case apply the rules of competition as he sees fit.

If that is the case, one is forced to ask why he insisted on the notice in the first place. Is he simply trying to play games with the consultation processes?

On behalf of more than 1m postal workers, we hope that Mr van Miert will abandon his attempts to derail these processes and start to listen to the people he supposedly consults.

Philip Bowyer, general secretary, Postal, Telegraph and Telephone Int'l, 38 avenue du Lignon, CH1219 Geneva, Switzerland

## Electronic links are more enriching for students

From Mr Brian Flint.

Sir, Simon Buckingham (Letters, November 27) praises universities for having features that are completely unnecessary in an electronic age. On-line libraries are more practical than books because they can be accessed by more than one user at a time and because the underlying material cannot be defaced or stolen; lecture halls are unnecessary if lecturers and students are linked by video-conferencing; and dormitories are redundant and, indeed, confining when there is no real benefit to

congregating in a single place.

Universities may well continue to be the focal point for information exchange, but how much more enriching if students first discussed the issues with those studying with (rather than at) other academic institutions and those already practising a particular discipline before presenting their thoughts to an internet discussion with their tutor and colleagues.

Brian Flint, 1252 Meinier, Switzerland

## Divine support for Boeing?

From Mr Brian J. Robson.

Sir, An outline drawing of a modern jet transport aircraft illustrated the article "On a wing and a prayer" (November 26).

The drawing lacked the starboard undercarriage leg, on the side of the aircraft attributed to the Boeing 777. I hope that this is not a suggestion that the Boeing 777 is supported by divine intervention.

Brian J. Robson, 29 Larchwood Close, Banstead, Surrey SM7 1HE, UK

## 'Cold calling' ban is like using a sledgehammer to crack a nut

From Dr Caroline Jackson.

Sir, The provisions of the EU distance selling directive ("Ban on 'cold calling' urged by committee of Euro-MPs", November 22), once adopted by ministers and the European parliament, would have to be applied Europe-wide by national parliaments. At least the European parliament's amendment to ban all telephone selling without prior consent is controversial enough to have dragged the directive into the limelight so that, for once, a wider public (including national MPs) can

take part in the debate. Opinions on the effectiveness of the UK Telephone Preference System will vary since it has only recently come into operation. But it should be realised that a German style ban on telephone selling without prior consent would be a sledgehammer which might shatter some nuts but miss others completely.

Is it appropriate for all telephone selling systems to come under a prior preference system? What about offers which may emerge in response to particular circumstances or even emergencies? What happens when all the double-glazing callers phone from Switzerland or even eastern Europe?

There is no clarity now about the position of the Socialists, who proposed the ban in the parliament's committee. Annemaria Kuhn MEP (Letters, November 28), one supporter of the idea, still stands by it. But the spokesman for the British Labour MEPs, who also supported it, is quoted in last Thursday's Herald Tribune as saying: "The European parliament is usually reluctant to go for absolute positions. An

absolute ban on e-mail and telephone calls is an extreme way of dealing with the situation." Presumably these second thoughts are related to the impact such a ban would have on jobs. Perhaps he should give Mrs Kuhn a ring - if she will accept the call!

Caroline Jackson, vice-chairman, European Parliament Consumer Protection Committee, European Parliament, 97-113 rue Belliard, B-1047 Brussels, Belgium

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## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
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Thursday November 30 1995

## Better a deal than deadlock

There may be some embarrassment in London and Dublin that it took the imminent arrival of Mr Bill Clinton to break the deadlock between the British and Irish governments on the next stage of the Northern Ireland peace process.

The announcement made by Mr John Major and Mr John Bruton late on Tuesday night bore the hallmarks of a deal struck at Washington's bidding. The joint communiqué indicated also that the launch of the so-called twin-track approach to bring together the parties in the province had not resolved the basic dispute over the decommissioning of IRA arms.

The British and Irish prime ministers, however, should be relaxed about jibes that they have delivered an imperfect agreement to avoid discomfiting Mr Clinton. Whatever the motivation, a deal is better than deadlock, even when it leaves questions unanswered. If the US president concentrated the minds of the two leaders, that is all to the good.

The substance of the agreement allows for an international body headed by Mr George Mitchell, a senior aide to Mr Clinton, to conduct a far-reaching examination of how the IRA and loyalist paramilitaries should decommission their weapons. In parallel, the parties in Northern Ireland have been invited to intensive preparatory talks to map the way for formal negotiations on a permanent political settlement. The end of February has been set as a target date for those negotiations.

Criticism of the accord, especially from the Ulster Unionists, has been directed at the fact that it leaves unsettled the issue of whether the IRA will have to decommission some weapons before Sinn Féin can join the second stage. Mr Major insists he has not dropped this precondition while Mr Bruton stresses such a demand is unrealistic.

In his response to the communiqué Mr David Trimble, the Ulster Unionist leader, reaffirmed that his party would not talk to Sinn Féin on any other terms. Mr Gerry Adams, the Sinn Féin president, was typically evasive, declining to spell out the level of the co-operation the IRA will offer to Mr Mitchell. The cynics will say that Mr Major and Mr Bruton have done no more than defer until next year the inevitable crunch between these two positions.

For all such flaws, the twin-track approach provides what Mr Clinton called a framework in which differences might be resolved. Mr Trimble can press his case for an elected convention to hammer out a political settlement. Mr Adams can seek to explain why Sinn Féin should be put on an equal footing before the IRA has given up any weapons.

Having served thus far as a catalyst, Mr Clinton meanwhile has been wise in stating that his role now is to support the efforts of Mr Major and Mr Bruton. The next few months will not be easy. But the threat of a return to violence has once again receded. That alone is worth the initiative.

## Japan's defence

Japan's latest defence review is comforting news to Asians who worry that cold war tensions will eventually be replaced by a stand-off between Tokyo and Beijing. As the latter becomes economically and politically more powerful, it will grow to rival Japan, perhaps prompting it to re-arm. Such fears were fuelled this summer by Japan's reluctance to apologise for its role in the second world war.

The prospect of a 20 per cent cut in Japanese manpower over the next 10 years is generally welcomed given the difficult background. The threat from China is complex. Japan's close historic connection to Taiwan would draw it into any crisis there. Its dependence on trade means it has much to lose if conflict over the oil-rich Spratly Islands blocked shipping lanes through the South China Sea. Moreover, there is another threat from North Korea. Japan's defence cuts being later and lighter than those of other industrial powers. Japan will reinvest some of the savings in helicopters and transporters that can be used in UN peace-keeping. That is positive, as is its plan to concentrate other investment in defensive technology. Japan needs a shield against North Korean missiles.

It would be unwise to assume that Japan has turned its back forever on any ambition to project its military power in the Pacific. Re-armament is not politically popular at present. But there is

debate on the issue as a more nationalist tone enters politics. Were public opinion to shift at some future stage, the planned cuts would still leave Japan able to switch quite easily to a more assertive role. Its submarine strength remains unmatched in Asia. For example, it could readily acquire in-flight refuelling capacity for its fighter aircraft, greatly extending their range. Crucial to limiting this risk is a continuing US military presence in Japan. The defence review assumes they will stay. Most Asian governments, including privately even some Chinese officials, argue that the US presence is essential to maintaining a strategic balance that will prevent escalation of the regional arms race. If the US withdraws, Japan would have no choice but to re-arm.

There is therefore opposition to US bases in Okinawa in the wake of rape charges against US soldiers there. To help ensure that its defence cuts stick, Japan's leaders need to redouble efforts to maintain public support for the US alliance.

It would help if Washington were not seen as over-bearing and quasi-colonial, as it is now perceived in Okinawa. Japanese voters must remain convinced that the alliance is in their country's own interest. The US presence is actually helpful and necessary in containing the Chinese threat, and indeed that from North Korea.

## Poujade's return

The package of measures to help small businesses unveiled by the French government this week appears broadly to have found favour with the constituency it aims to please. As a political tactic, it may therefore be judged a success. But as a piece of economic policy, supposedly intended to boost entrepreneurial initiative and wealth creation, the package is seriously misconceived.

Viewed in isolation, some of the measures seem sensible enough. The promised cut in inheritance taxes, widely blamed for forcing the sale of family-owned companies when the founder dies, is long overdue. The partial exemption from tax of re-invested profits may mitigate a chronic capital shortage in many of France's small businesses. Meanwhile, the pledge to cut red tape is welcome in a country long addicted to over-regulation - though for that reason, hopes should not be exaggerated.

But these efforts to lighten the burden of the state amount to sticking plaster when surgery is needed. The biggest financial handicap borne by France's small businesses are high real interest rates and weak domestic demand. Providing piecemeal tax breaks merely tackles the symptoms of a problem which can be cured only by correcting severe imbalances in macro-economic policy.

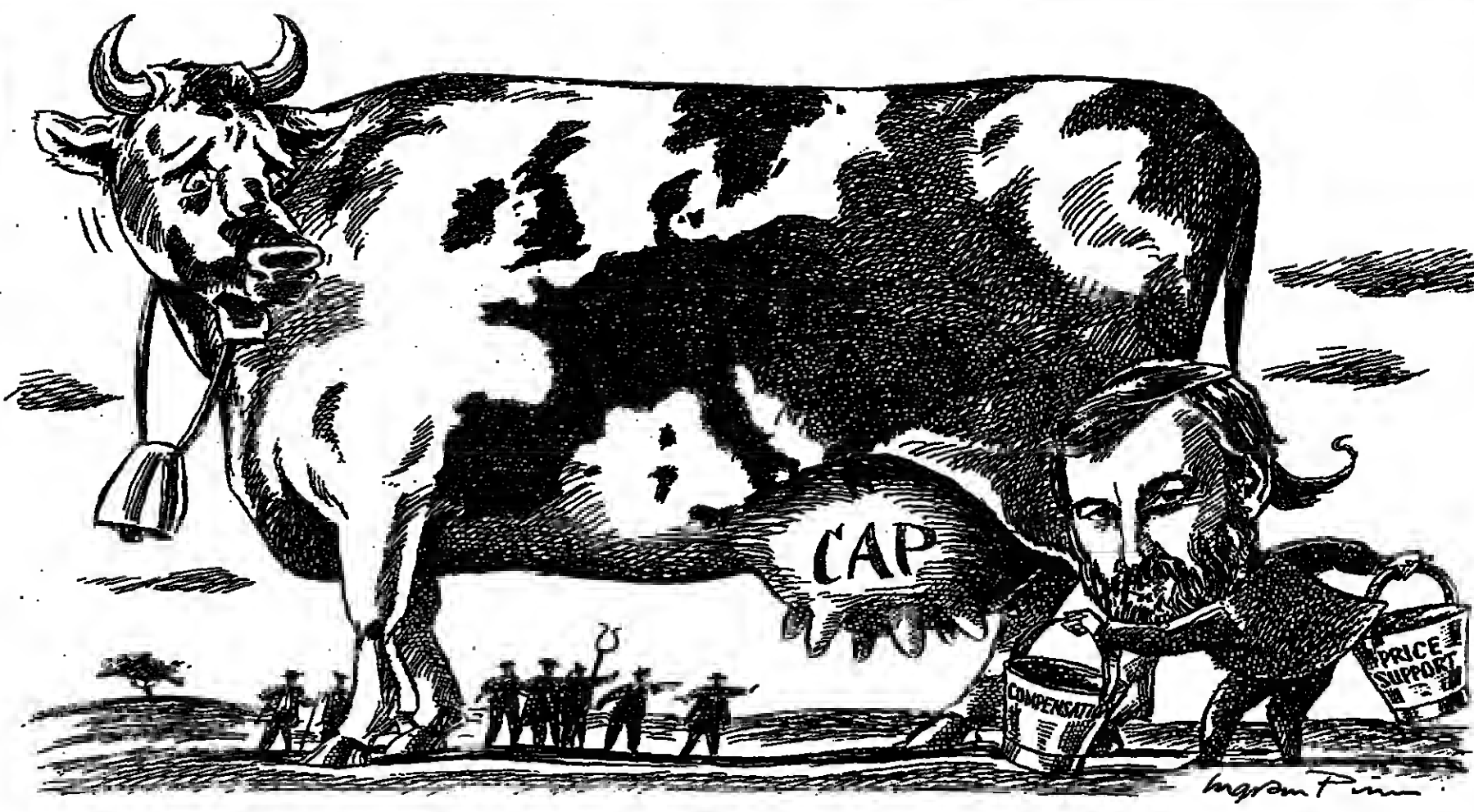
Unable to offer much relief on this front, the government has sought instead to console small businessmen by sheltering them

from competition. Tougher laws are planned to prohibit "abusive" price-cutting, and to curb out-of-town hypermarket developments. The minimum size of retail sites requiring planning approval has been sharply lowered, and applications will be judged by new committees, which will include representatives of small business.

The changes seem designed to reward inefficient, high-cost, operators, and to protect incumbent hypermarket chains against new entrants. French producers, as well as consumers, will be among the losers. Shielding suppliers from the commercial disciplines imposed by large retail customers, while putting a floor under prices, removes an important stimulus for improvements in their competitive performance.

These measures are likely to do more harm than Britain's equally dubious decision two years ago to curb out-of-town developments on environmental grounds. In the UK, the impact was limited by the fact that the big chains affected also compete hard in city centres.

France's move, by contrast, seems motivated mainly by special pleading from threatened small businesses. Favouring such entrenched interests may win votes, but it actively discourages innovation and enterprise. Mr Pierre Poujade, the reactionary populist who rose to political fame in the 1950s as champion of France's small shopkeepers, must feel thoroughly vindicated.



## Changes down on the farm

Franz Fischler, the European Union commissioner, is proposing to reform the Common Agricultural Policy, says Caroline Southey

For those who remember the brinkmanship and bitter disputes that preceded the last agreement on sweeping agricultural reform in the European Union in 1992, the idea of going through it all again is alarming.

But the farm policy blueprint for the next five to 10 years announced in Brussels yesterday by Mr Franz Fischler, EU commissioner for agriculture, includes the message that further changes to the Common Agricultural Policy are inevitable.

In the 1980s no farm commissioner would have dared to make such a blunt statement. But the world, and EU farming, have moved on. European farmers have survived both the 1992 EU reforms and the subsequent deal in the General Agreement on Tariffs and Trade, which greatly curbed the rights of countries to subsidise exports.

Nevertheless the EU's agriculture policy remains one of the world's strongest bastions of protectionism. The Common Agricultural Policy, conceived five decades ago, is reviled by the world's food-exporting giants - the US, Australia and Argentina - but revered by some Europeans as one of the original cornerstones of European unity, without which the EU edifice would collapse.

The reforms of 1992 - prompted by unprecedented and expensive food surpluses - broke for the first time the European tradition of high levels of price support for farm produce. In compensation for falling price support, farmers were offered direct payments, setting in train the process of separating subsidies from prices.

Once again external factors are playing a large part in forcing the EU to face up to another round of reform. Mr Fischler has three strong cards to play: another round of international negotiations on agricultural trade is due in 2000;

the EU's intends to grant full membership to 10 countries in central and eastern Europe, which could put a substantial financial burden on the CAP; and there is a danger of a return to EU surpluses.

Mr Fischler, a former Austrian agriculture minister, has been astute enough to recognise that there are limits to how far a reforming agriculture commissioner can go. This is no big bang. It is simply an extension of the changes introduced three years ago.

He dismisses as unworkable, too expensive and divisive any radical reforms such as scrapping all subsidies, abolishing production quotas, or giving each member state the responsibility for income support payments for its own farmers.

"None of these options is remotely saleable in political terms," a senior EU agricultural official says. Instead, what is being proposed is a further reduction of farmers' reliance on price support; again the idea is that they will be compensated, where necessary, by direct payments from Brussels. Some payments could be linked to environmental and social needs as part of a new, broader "integrated rural policy"; the money might go to a range of on-farm and off-farm enterprises in rural areas.

The farmers fear these reforms will ultimately mean less money. "These ideas are scandalous from the point of view of farmers," says Professor Stefan Tangermann, a leading proponent of reform from the institute of agricultural economics at the University of Göttingen in Germany. "It is surprising but also courageous of the commissioner to voice them."

Mr Fischler has made clear that paying billions of Euros a year to farmers, very possibly into the next century, to compensate for price cuts agreed in 1992 will be difficult to justify. "It's in the farmers' inter-

ests that the payment be linked to something different like services to society," says the agricultural official.

If agreed, the policy would reduce EU agricultural prices towards those prevailing on world markets, although not for all products. International prices for cereals, pigmeat and poultry have risen to or close to EU levels recently. But the gaps remain substantial for milk and beef - prices are 40 per cent higher in Europe than on the free market - and for sugar.

"Milk and sugar are the two market areas that will indicate how far these reforms will go," says Prof Tangermann. "If he manages to reduce prices and do away with quotas, it will be the big breakthrough. But now is not the time to spell that out in detail."

The Commission estimates that bringing milk and sugar prices close to world market levels would result in payments of Ecu10bn (£8.5bn) to Ecu5bn a year in direct payments if full compensation was paid.

"It is cheaper to stick with price support than pay out those levels of compensation. But by shifting away from price support towards compensation payments the EU will be making an investment in a future system," says Prof Tangermann.

Reformers say that if no further changes are made to farm policy, EU farmers will be undercut by imports allowed under trade deals which have given non-European producers much greater access to the EU market. And rising production - based on improved yields - will once again lead to surpluses.

Food mountains - wasteful and expensive - represented all that was unacceptable about European agriculture policy. They have only

recently been reduced substantially, partly thanks to the 1992 reforms.

Meanwhile the ability of EU farmers to ship surpluses abroad was severely constrained under the last Gatt round, when the EU agreed to reduce subsidised exports by 21 per cent over six years, and is likely to become more constrained under the next agriculture round in five years.

There are a few alternatives to Mr Fischler's proposed reforms, other than defying the Gatt constraints or further tightening measures to control output - for example, by introducing new quotas or increasing the amount of land farmers are obliged to take out of use under the "set-aside" scheme.

"In the present climate of opening our markets to foreign competition, that becomes impossible," says the agricultural official.

Some economists say the logical course for Mr Fischler would be to grasp the nettle firmly and propose cuts in payments to farmers. Next year's payments to compensate for price cuts will amount to Ecu26bn, more than half the Ecu40bn agricultural budget.

But even the most hard-nosed reformers admit this would have been a step too far. "I would like to have advised him to say compensation payments will come to an end or that they will be phased out. But it would be politically silly to do so," says Prof Tangermann.

Mr Fischler makes no mention of the effect the reforms might have on the CAP budget. The unwritten message is that farmers will continue to be subsidised in one way or another and that the CAP budget will remain intact. "These proposals do not suggest anything farmers have today will be taken away," says the agricultural official.

This message is important for the survival of Mr Fischler's plans. Agricultural ministers from member states will be the final arbiters of any reforms, and most will be

fearfully watching for signs of revolt from their voters in the countryside.

Contrary to the popular view that the Commission is the source of EU protectionism, it is the member states that have discarded liberalising reforms in the course of negotiations. In rhetoric at least, the UK and Sweden, followed by Denmark and the Netherlands, have been the most outspoken proponents of CAP reform.

But even in France, where subsidised farmers wield considerable political influence, there are signs that resistance to reform could be more muted than in the early 1990s. "Farmers were dealing with the unknown before 1993," the agricultural official says. "But for them reform now has a good track record - they have never been better off than during the last three years."

In addition, larger French farmers, who have chafed at the production constraints imposed under the 1992 reforms, might be prepared to trade off lower prices for unfettered production and export opportunities.

The more optimistic believe Mr Fischler's policy guidelines will begin to emerge as concrete proposals by 1998 and work their way through the EU system by 1999. "EU will want to go into the next trade round on a different basis. If the reforms are through, they will have the pleasure of being able to take a much tougher line against the Americans during the negotiations," says Prof Tangermann.

However, there is also a more cautious prognosis. "It will probably happen, but too late," says Mr Michael Tracey, director of the Brussels-based Agricultural Policy Studies think-tank. "We don't get reform until faced by a crisis. That will happen as we get to 2000 when we will go part of the way and fudge the rest."

## OBSERVER

## Mr Sweden stays put

The negotiations over the execution by Nigeria's military regime of Ken Saro-Wiwa continue. Now the diplomatic representatives of a number of protesting nations are packing their bags - albeit temporarily - and leaving Lagos.

Among those "recalled for consultations" are the US envoy, the ambassador for Switzerland, discreet banking haven to many a Third World dictator, and all European Union heads of mission - except Sweden's. So is the EU's newest Scandinavian member already breaking ranks? Not at all, says Swedish ambassador Arne Ekfeldt. At the recent meeting of EU foreign ministers in Brussels, withdrawal of ambassadors was not on the agenda. The Swedish government backed economic sanctions, which were rejected by the majority of the EU.

"We have a good tradition in Sweden, we don't recall ambassadors for consultations," says Ekfeldt. "We don't think this symbolic action is worth much. I can consult with my government quite well by telex." The Swedes believe it's more important for their envoy to maintain contacts in the country and pursue its main objective of promoting democracy.

There's another reason why Ekfeldt is staying on. As there's no immediate prospect of change in

Nigeria, disapproving western nations will soon face an awkward choice: either a diplomatic climbdown, by returning their envoys, or having no ambassadors in Africa's largest nation. Ekfeldt, meanwhile, is sitting pretty.

## Mariner Murdoch

Not content with buying up the world's sporting events, Rupert Murdoch may now participate in one of them. According to the Cruising Yacht Club of Australia, the Australian-born media proprietor's name appears on the crew list for the US maxi-yacht Sayonara, one of the favourites to win this year's Sydney-to-Hobart race.

Reports of Murdoch's return to the high seas - he last sailed the race 31 years ago, coming second - sent local newshounds chasing "Boy" Messenger, a septuagenarian Sydney salt who was master of the Murdoch-owned ketch, Ilima, in 1964. Messenger was less than awed by Murdoch's aquatic skills. "He liked to go to sleep all the time - he used to lock himself away in his cabin and sleep," was his main memory.

## Here we don't go

Early yesterday afternoon a KLM plane carrying the Ajax Amsterdam football team left

Tokyo. There was jubilation among the players and their 200 accompanying fans - Ajax had just won the World Club cup, beating Brazilian club Gremio.

Nine hours later, when the same plane again left Tokyo - loaded with fresh supplies of beer - the mood was less ebullient.

For the aircraft had spent hours hanging around above the Siberian border, waiting permission to enter Russian airspace.

Not that Russian air controllers have anything against Ajax, just that the plane's four-digit flight number had confused them. Scheduled KLM flights on the route have three-digit numbers, but this flight - a charter - had four.

Such niceties cut little ice in Siberia. When Russian permission finally arrived the plane was forced to return to Tokyo so that it could refuel.

And Gremio? They got back safe and sound.

## Gang of three

Fidel Castro sported a military greatcoat in Beijing yesterday on his first visit to China in the 37 years since he took power in Cuba, possibly his only nod towards the past we are likely to see from him during his 10-day trip.

Like China, Castro has mellowed since the heyday of revolutionary communism. Ritual expressions of fraternal communist solidarity are

not likely to figure high on the agenda.

Instead, Castro will be studying Chinese economic reforms with a view to applying them back home. These reforms have little to do with communism.

China remains nominally attached to communist ideology but its commercial landscape differs little from the rampant capitalism which rules other parts of Asia.

Will Castro bump into Do Muoi, the general secretary of the Vietnamese Communist party? Do yesterday visited the tomb of Mao Zedong in Beijing's central square, where the late chairman is lying in state in a crystal sarcophagus. Do could have admired the handiwork of Vietnamese embalmers, who did such a splendid job on preserving Mao's likeness.

Chinese officials are not saying whether Castro, Do and Jiang Zemin, the Chinese Communist party boss, will try and have a get-together. Such a gathering would draw together the leaders of about three-quarters of the world's remaining communist states.

The absentee would be Kim Jong Il, putative leader of the hermit kingdom of North Korea.

## Well-sprung

What's the difference between a lawyer and a trampoliner? You take your shoes off to jump on a trampoline.

## Financial Times

## 100 years ago

A curious development It is a curious development of recent years that insurance of various kinds may so readily be had for nothing - as a mere make-weight to something else.

We buy a penny paper, and a Railway Accident policy is ours. We subscribe to another, and the burglar may exercise his art up to £20 - without causing us any loss. And with still others, we may break our legs at football, or our neck when cycling, or be drowned while trying to save life, with the certainty of a more or less substantial compensation coming to our representatives or ourselves.

## 50 years ago

Rank film deal Within a year or two the Rank group of film companies will be earning dollars for this country at the rate of \$15,000,000 a year. This is the target which, as Mr. J. Arthur Rank told the Financial Times yesterday, he has set for his organisation. Such an amount would go a good way towards alleviating the position brought about by our heavy imports of American films, remittances for which are running at about \$18,000,000 a year. Before the war our dollar expenditure on this account was \$7,000,000.



## Economy 'is rebounding after weakness'

## OECD warns against further US rate cuts

By Michael Prowse  
in Washington

The US Federal Reserve should not cut interest rates further because the economy is rebounding after weakness earlier this year, the Organisation for Economic Co-operation and Development said yesterday.

The Paris-based body plunged into Washington budget politics, warning in an unusually partisan report that the fiscal plans of the Republican-led Congress would weaken the US social safety net and aggravate income inequality.

The US economy was likely to grow by 2.5 per cent next year, with low inflation and near full employment, the OECD said. However, it warned the Fed to remain vigilant against the risk of higher inflation. Further rate cuts "might ultimately prove inappropriate and could need to be quickly reversed", it said.

The Fed cut rates by a quarter point to 5.75 per cent in July. Many private sector economists predict a modest easing of monetary policy if Congress and the

White House reach agreement on a budget deal.

The OECD report was presented in Washington jointly by Mr Joseph Stiglitz, chairman of President Bill Clinton's council of economic advisers, and Mr Peter Jarret, an OECD official.

Mr Stiglitz, anxious to gain advantage in the current budgetary negotiations with Congress, praised the OECD for supporting the administration's line that "deficit reduction must not come

at the expense of the social safety net". The OECD, while not endorsing all aspects of White House policy, appeared to side

openly with Democrats in the heated budget debate. It raised doubts about "the impact on the nation's social cohesion of the even heavier reliance on individual incentives and responsibilities and the further dismantling of the already limited social safety net entailed by the

favoured means of deficit reduction". The OECD warned that "paring the income security function, reducing taxes for the middle and upper income groups and slashing healthcare spending from reasonable baseline levels" would result in "a substantial diminution of the role of the federal government in income redistribution".

It also attacked Republican plans to transfer responsibility for many social programmes to the individual states. "We are not convinced of the merits of devolving greater power to the states," Mr Jarret said.

Echoing the Clinton administration, he warned of the risk of a "race to the bottom" on welfare - a reference to the alleged danger that states, seeking to cut costs, will compete to offer the least adequate benefits for the poor.

Mr Jarret said he opposed some aspects of the White House's budget strategy, including its refusal to consider cuts on the growth of social security, the publicly funded pension plan, and its support for tax cuts.

## Banking chief warns of currency turbulence over Emu

By Peter Norman in Bonn

Currency turbulence could hit European markets between now and 1998 when a decision on which countries will become members of the planned economic and monetary union is due to be taken, a top monetary policy maker warned yesterday.

Mr Alexandre Lamfalussy, president of the European Monetary Institute, said currency traders would start to think about the date of the decision, which countries would become Emu members and at what rates currencies would be linked.

There was "no easy way out" of the difficulty, he told a meeting on Emu organised by the Finance Committee of the German Bundestag.

But Mr Lamfalussy, who heads what is the precursor of the planned European central bank, said foreign exchange turbulence between the decision by heads of government during 1998 and the planned start of Emu on January 1 1999 could be manageable.

Much would depend on the choice of countries joining Emu. The right choice would minimise the risk of turbulence because they would have met the economic convergence criteria of the Maastricht treaty. He also said the exchange rates chosen at the fixing of the Emu currencies could be the averages over a period - limiting the danger of exchange rate speculation.

Mr Lamfalussy doubted whether most European Union countries would be in the first group of Emu countries. It was essential that a consensus be reached on how to handle relations between Emu members and outsiders, he said. Failure to do so could "poison" the Emu.

Mr Theo Waigel, Germany's finance minister, said he wanted as many countries as possible to qualify for the third and final stage of Emu. But he repeated his insistence that countries be admitted on "hard, solid facts" concerning their economic performance in 1997 - data which would be available in early 1998.

In Brussels, Mr Jacques Santer, the European Commission president, insisted that economic data available in December 1997 would be sufficient to judge countries' eligibility.

Mr Hans Tietmeyer, the Bundesbank president, said one important question remained in connection with the three-year period between the fixing of the Emu currencies and the adoption of the single currency.

"This was whether the single currency or the national currencies, which would still be in use, would be legal tender. He said the national currencies should stay legal tender until the switch to avoid legal problems.

Pact with Emu 'outsiders' canvassed, Page 2

## THE LEX COLUMN

## Can the issue

The privatisation of Pechiney is poised on a knife-edge. A steep fall in the price of the aluminium giant's quoted investment certificates means they are now below the floor of the government's indicative share price range. Faced with a one-quarter cut in the FF8bn it was hoping to raise, the French treasury may be forced to delay the sale.

That would be a blow for its privatisation programme, but could turn out to be the most sensible option. Pechiney has been much improved under Mr Jean-Pierre Rodier, its chairman, who returned the group to profit and focused on its strengths as Europe's largest aluminium producer and one of the world's biggest packaging companies.

But privatisation looks premature. Debt remains high at 1.5 times current market value, and the planned FF8bn capital increase will prove highly dilutive if the issue goes ahead at the current low price. Nor is the timing good: the French stock market is weak, the aluminium price has fallen and cyclical stocks are out of favour. Compared with rivals such as Alcan of Canada and Reynolds of the US, Pechiney has a poor record. Moreover, the buy-out of the separately quoted packaging arm restricts the packaging division's ability to expand by issuing its more highly rated shares.

The French government may decide to press ahead with the sale to boost its own finances, but forcing the issue on to reluctant institutions will make the next privatisation that much harder.

## London Stock Exchange

The London Stock Exchange has for many years danced to the tune of its most powerful members, the big market-makers. This morning, at what promises to be a heated board meeting, the exchange will seek to change the music. At issue is the executive's proposal to launch a computerised trading system which includes an "order-matching" capability.

This seemingly technical plan goes to the heart of how shares are bought and sold in London. With an order-matching system, market participants post bids and offers whenever they wish. With the current "quote-driven" system, by contrast, market-makers are committed to posting prices at all times. That may seem a good service for investors, except that market-makers charge a spread between bid and offer prices in return. The big

FT-SE Eurotrack 200:  
1560.0 (-2.3)Share price relative to the  
SSE 120 index

120

110

100

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IN BRIEF

**Nedlloyd reveals 'irregularities'**

Nedlloyd, the Dutch transport group, revealed "serious irregularities" in its Austrian road haulage operations which would lead to an "important" exceptional charge in the fourth quarter. The group reported a sharp drop in third-quarter net profits to F12m (\$14.5m), from F14m a year earlier. Page 20

**Krupp Hoechst to pay DM700m for Uhde**  
Krupp Hoechst, the German steel and engineering group, outbid two leading competitors to buy Uhde, the subsidiary of the Hoechst chemicals group. Industry sources said Krupp Hoechst would pay about DM700m (\$483m) for Uhde which is one of the world's leading builders of chemical plants. Page 20

**Seagram rises as MCA purchase feeds in**  
Seagram, one of the world's top drinks groups, reported operating income of US\$461m for the third quarter to October 31, against US\$377m a year earlier. The latest quarter is the first to include MCA, the US entertainment group in which Seagram bought an 80 per cent stake earlier this year. Page 21

**Mexico announces £1.5bn bond placement**  
The Mexican government said it had placed \$1.5bn in one-year bonds among international investment funds and other investors, in the country's third sovereign debt issue since the devaluation of the peso last December. Page 21

**Cereal sweeteners help Tate to record**  
Strong performances by cereal sweeteners and starches helped Tate & Lyle, the UK-based sweeteners and starch group, to overcome weakness in US sugar and report a 13.6 per cent rise in pre-tax profits to a record \$311.1m (\$491.5m) for the year in September 30. Page 25

**Swalec rebuffs £781m Welsh Water offer**  
Welsh Water, the UK utility, was sharply rebuffed by its bid target Swalec following an indicative £781m (\$1.23bn) offer which the regional electricity company described as "totally unacceptable". Page 27

**Indian tea crop poised to shrink**  
India, the world's largest producer of tea, is likely to finish the current season with a crop of about 730m kg, compared with last year's 743.8m kg. But average prices, which fell sharply last year, are enjoying a recovery. Page 28

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Price fall fuels Pechiney sell-off worries

By John Ridding in Paris

A fall in the price of Pechiney's investment certificates yesterday and reports of weak investor demand fuelled concerns about the privatisation of the French aluminium and packaging group.

Some bankers believe the government may even be forced to delay the sale of its 56 per cent stake, a move which would represent a significant blow to France's privatisation programme.

"This is their most difficult privatisation operation so far," said one banker. "Investors have shown little appetite, although one should never underestimate the pressure the French treasury can bring in bear on institutions to buy shares."

With the government set to make a decision about the pricing and the timing of the privatisation issue within the next few days, the company's non-voting investment certificates lost FF1.6 to close at FF205.5. They had earlier traded at FF203.



## 2 NORTHERN IRELAND

Politics: By John Kampfner and John Murray Brown

## Diplomacy gains ground

The past 15 months have seen the start of a long process of more normal politics

Underpinning any solution to Northern Ireland's problems will be the principle of consent. Does the majority of the people want to stay part of the United Kingdom or join the Republic of Ireland? And which majority - in the north or in the island as a whole?

Centuries of turbulent history and apparently irreconcilable loyalties have bedevilled the most recent search for a political settlement for the six counties in the north, which remained part of the United Kingdom when an independent Ireland was formed at the end of the first world war.

In Northern Ireland a separate parliament was created at Stormont with devolved powers, but this was suspended at the start of the "troubles" in the 1970s in favour of direct rule from Westminster.

The administration of Northern Ireland by non-elected civil servants accountable to the government in London proved reasonably efficient. If it failed to address any of the roots of the problem, as a means of

keeping the two sides apart direct rule has proved the least worst option.

The basis of the current concept is the framework document which was launched by prime ministers John Major and John Bruton in Belfast in February this year despite ferocious complaints from many Unionist quarters.

Their main objection was the priority that it gave to the role of Dublin in the north's affairs. The strategy was predicated on three relationships working in harmony:

- the Anglo-Irish dimension;
- the republic and the north;
- a modern, democratic internal arrangement for Northern Ireland itself.

The past 15 months since the ceasefire, for all the turbulent negotiations and doom-laden predictions, have seen the start of a long process of more normal politics.

Councillors and party officials, from Sinn Féin, to the moderate nationalist Social Democratic and Labour party, to the Ulster Unionists (the largest party in Northern Ireland), to the smaller Democratic Unionists, to the fringe loyalist parties have begun tentatively to talk to each other.

Symbolism and gestures have had great impact. Hand-

shakes, joint television appearances, and joint platforms have said as much as speeches.

The "troubles" left Northern Ireland in a time-war, exposed to violence but also cosseted from the responsibilities that come with power in most societies.

As a result, the political leaders have sometimes seemed distant from the electorate, many of whom remain deeply cynical about the political process. The Ulster Unionists, under their veteran leader, James Molyneux, had relied almost exclusively on the influence wielded by their small number of MPs at Westminster.

Mr Molyneux prided himself on his close links with the prime minister, the cabinet and Conservative backbenchers.

However, the publication of the framework document in its final form was interpreted by Unionists as a devastating snub. Mr Molyneux never recovered.

The election in September of David Trimble as his successor came as a shock to Dublin and London who had both assumed that the more moderate John Taylor would emerge the victor.

One of the factors in Mr Trimble's success was his lead-

ership of a triumphalist march by the Protestant Orange Order through a Catholic district in Portadown, arm in arm with Unionism's perennial firebrand, the Rev Ian Paisley, leader of the Democratic Unionists.

Mr Trimble has since surprised his hardline supporters by suggesting that the party should redefine its party structure, a euphemism for its controversial links with the Orange Order, which to Catholics is seen as a sectarian body that is intent on reasserting a Unionist hegemony for Northern Ireland.

Again, Mr Trimble, while adopting an uncompromising line on talks with Sinn Féin and the vexed issue of IRA arms, has proved himself more flexible than many had imagined.

He broke with the past by travelling to Dublin to meet with Mr Bruton, the Irish premier, and has courted support in the US.

But if his public profile is more prominent, his misgivings about negotiations with nationalists remain deep-seated.

Instead he has toyed with the idea of a pan-Unionist front, a strategy promoted by the DUP's Peter Robinson and the maverick independent Mr



Quiet at Stormont: Stormont Castle, former seat of the Northern Ireland parliament.

George Hamilton from "Punkin' Politics" (Photo: Press, Belfast)

Robert McCartney.

He has also put forward his own proposal for a new elected assembly to get around the problem of the IRA's arms, in which all the parties would seek a post-ceasefire mandate including Sinn Féin.

The idea has been rejected by nationalists who see it as a stalling device. Sinn Féin and the SDLP are both suspicious of any formula which looks like a re-run of the old Unionist-dominated Stormont. Dublin too is concerned that such an approach would give the

internal dimension of any settlement a dangerous pre-eminence.

Both nationalist parties have until now adopted a common stance on the need for all-party talks to secure a new agreement.

On key issues such as policing, the SDLP are holding out for the round table talks, in order to secure what they define as a new "agreed Ireland".

However, those negotiations may expose almost as much discord between the two

nationalist parties as between nationalists and Unionists. At the SDLP's annual conference earlier this month, one of the most heated debates was about the prospect of future electoral pacts with Sinn Féin.

John Hume's close understanding with Gerry Adams was pivotal in securing the IRA ceasefire and has been one of the cornerstones of the peace process.

With Mr Hume signalling his intention to step down at the next election, further co-operation between a new SDLP lead-

ership and Sinn Féin is by no means assured.

However, the fact that parties are even considering such questions is a measure of the extent to which the process has advanced.

A symbolic handshake between Northern Ireland's old enemies will not be stage-managed for the Clinton visit, but such a possibility in the not too distant future can no longer be ruled out as the protagonists learn a new, and more refined, form of adversarial politics.

Economy: by John Murray Brown

## Business hopes are riding high

Busy streets and packed shops are signs of growing economic confidence

A visitor to Belfast unfamiliar with Northern Ireland's sad history could be forgiven for asking what all the fuss was about. Today there is little evidence of security forces on the streets. The rush hour traffic would compare with any other city in the UK, and new shopfronts are being unveiled almost every day.

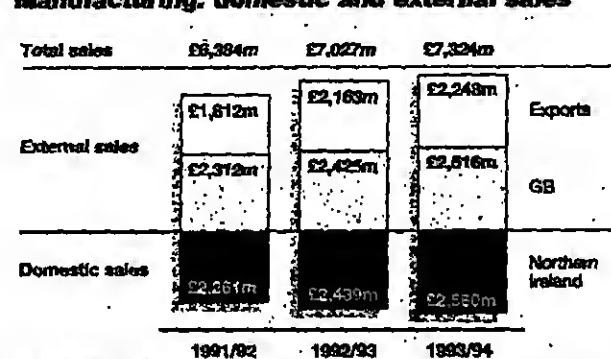
Recent surveys suggest business confidence is higher than it has been at any time since the paramilitary ceasefires 15 months ago. A report this month by PA consultants, surveying 100 local firms, estimated that planned investment in the province had increased by 14 per cent in the year to October. Businesses reported that output growth is running at about 5 per cent and orders are up 4 per cent over the same period last year.

Exports are strong, with figures published in May this year showing Northern Ireland still outperforming the rest of the UK, a trend that predates the end of the "troubles".

How much of this is to do with the changed political environment is a point of debate. In part, buoyant economic activity reflects changes already in the pipeline and improvement of the UK economy as a whole.

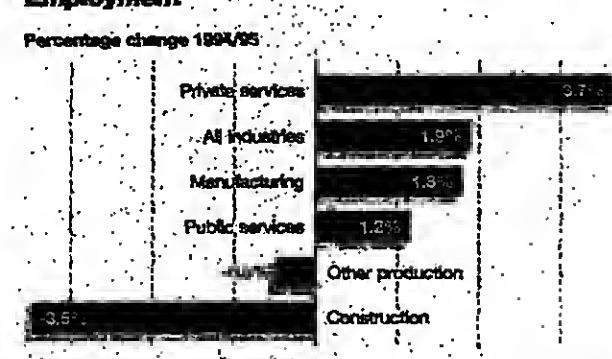
In its latest report, First Trust Bank says that "apart

## Manufacturing: domestic and external sales



Source: NI Economic Research Centre

## Employment



Source: DES

from the sustained rise in local house prices and the expected surge in tourism, the peace has yet to provide a clear economic dividend". The real benefits of the peace may take longer to realise.

The bank, nonetheless, forecasts gross domestic product to rise by 3 per cent this year, and 3.25 per cent in 1996 and 1997, driven by faster manufacturing output, higher tourism revenues and lower unemployment. Personal disposable income is likely to increase by 2.75 per cent next year, keeping consumer demand rising at about 3 per cent.

Meanwhile, recent data suggests a slight fall in the numbers seeking jobs. Employment is forecast to rise by a modest 8,000 next year, and unemployment to fall to about 86,000 from 87,500 in mid-June this year. This is about 11.5 per cent of the workforce.

Some of the evidence points to an underperforming economy. Income per capita is the

second lowest in the UK, after Merseyside and is 74 per cent of the European Union average. Unemployment is still high. Pockets such as nationalist west Belfast suffer unemployment rates of close to 30 per cent. Half of those out of work have been without a job for three years or more. Second or third generation unemployment in a family is not unknown.

But in important areas the Northern Ireland economy has remained immune to the "troubles". Property values have remained depressed, though they are advancing, particularly in the private residential sector. Rents are still low.

One in three of the workforce is in the public sector and receives a salary in parity with equivalent civil servants elsewhere in the UK. As a result, disposable income remains high, helping the province to avoid the effects of the recent recession.

Northern Ireland is a small, open economy. Of all the UK regions, it has the highest dependence on agriculture and has many of the features of a welfare economy such as those of Scandinavia. The government's subvention - the differences between taxes raised and monies spent on public services - is almost 26 per cent of GDP (about £3.4bn a year).

The province has some of the best public housing schemes in western Europe, a direct legacy of the civil rights campaign of the 1960s when housing and the perception of an anti-Catholic bias in public housing policy was seen as a leading cause of the "troubles".

The government has said the "block" will remain at equivalent levels for the time being. But the priority is how to reallocate the resources from security spending - about £900m a year - to other public needs such as education and health.

None of this can be conducted in isolation from the private sector. Many busi-

nesses have benefited indirectly from the "troubles" - the construction sector being the most obvious. And it is the building trade that is now suffering. Falling salaries in the Royal Ulster Constabulary, where a constable could earn after overtime up to £50,000 during the "troubles", will also have had a knock-on effect on the retail sector.

The increased public spending in the 1980s was a response to the "troubles" in two respects. First, it was the direct result of liabilities related to the bombing, and secondly, it reflected central government attempts to bring Northern Ireland's public services into line with those of the rest of the UK. This again was driven by the political objective of undermining the mandate of the terrorists.

The challenge for policy makers now is to improve the quality of investment by encouraging higher research and development spending. Some success in this area has been achieved through the Industrial Research and Technology Unit, which is spending about £6m-7m in support of

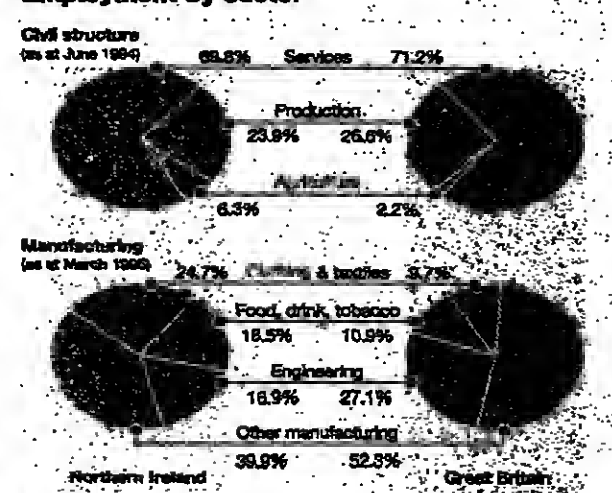
product and process research at 400 companies throughout the province. The IRTU estimates that companies have spent about £50m over the past four years. 25 per cent more than in the previous period.

Some in the private sector are trying to encourage a change in attitudes. The Growth Challenge, launched by a group within the Northern Ireland Confederation of British Industry, is encouraging links between firms, innovation and risk taking and trying to lessen the dependency culture of many companies.

The government is also re-evaluating its resources, concentrating on attracting new inward investment as well as targeting disadvantaged areas. Under the Industrial Development Board's latest three-year plan for 1995-98, 75 per cent of new inward investment is to be located in or near to the most deprived areas.

Bruce Robinson, the new IDB chief executive, says: "There's a much wider recognition of how well the Northern Ireland economy is doing. I think we're getting the fundamentals right."

## Employment by sector



Source: DES

Cross-border trade: by John Murray Brown

## Unchallenged logic

The case for co-operation between the north and the south is growing stronger

A few years ago when Ulster's linen manufacturers agreed to market their products with a Made in Ireland tag it was barely noticed. Today, in the wake of the ceasefires, the case for cross-border co-operation, either between businesses in Northern Ireland and those in the republic, or between the various government agencies and professional bodies is fast acquiring an unchallenged logic.

In purely economic terms, the case for more trade links is compelling. Northern Ireland accounts for only 4 per cent of the republic's total exports, and 3 per cent of its imports.

The Confederation of British Industry and its counterpart in the republic, the Irish Business and Employers Confederation, have a joint council to promote business on an all-Ireland basis. Numerous academic studies have been conducted on the merits of viewing the island as a single economic unit.

At an official level, the two tourism authorities are now marketing Ireland as a single destination. The two investment agencies are still in competition, for all the talk of sharing information during last year's Washington investment conference. In the tourism sector, there has been the high profile re-opening of the Shannon-Erne waterway.

Perhaps the most obvious area for potential co-operation is in public infrastructure development. The Northern Ireland Electricity company is working with the Electricity Supply Board in the south to reopen the cross-border power link, destroyed by the IRA in the early 1970s. The European

Union is funding various road schemes, including the long overdue improvement to the Belfast-Dublin link, which still takes up to three hours for a 90-mile run. With Telecom Eireann bidding to take on a strategic partner, British Telecom could be chosen, opening the way for synergies between the two networks.

The public sector market in the republic alone is worth about £85bn, with half of that carried out by local companies. Under European rules, member states have to open their public tenders to non-national companies from European states. An Bord Trachta, the Irish Trade Board, now supplies an on-line public procurement intelligence service which can be accessed by companies north and south of the border.

In the professions, too, there are moves afoot to share information and skills. Accountancy has long been a profession organised on an all-Ireland basis, with mutual recognition of qualification north and south of the border.

"The Leinster Society of Accountants is organised a little like the Irish rugby team," says Chris O'Connell of the Investment Bank of Ireland.

Two law firms, A&L Goodbody in Dublin and Belfast's Elliott Duffy Garrett, recently broke new ground by joining forces for an all-Ireland operation.

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Union is funding various road schemes, including the long overdue improvement to the Belfast-Dublin link, which still takes up to three hours for a 90-mile run. With Telecom Eireann bidding to take on a strategic partner, British Telecom could be chosen, opening the way for synergies between the two networks.

The public sector market in the republic alone is worth about £85bn, with half of that carried out by local companies. Under European rules, member states have to open their public tenders to non-national companies from European states. An Bord Trachta, the Irish Trade Board, now supplies an on-line public procurement intelligence service which can be accessed by companies north and south of the border.

In the professions, too, there are moves afoot to share information and skills. Accountancy has long been a profession organised on an all-Ireland basis, with mutual recognition of qualification north and south of the border.

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## INTERNATIONAL COMPANIES AND FINANCE

## Record for Bank of Nova Scotia despite charge

By Bernard Simon in Toronto

Bank of Nova Scotia, the most geographically diversified of Canada's big six banks, has reported record annual earnings, despite a substantial fourth-quarter write down of its investment in Mexico's Grupo Financiero Inverlat.

Earnings climbed to C\$376m (US\$477m), or C\$3.38 a share, in the year to October 31, from C\$342m, or C\$3.17, the previous year. The 1994 figures included special charges of C\$105m, mainly from the acquisition of Montreal Trust and the write-off of goodwill at Scotia-McLeod, its securities dealing subsidiary.

Return on equity improved from 7.9 per cent to 14.2 per cent, while return on assets rose from 0.4 per cent to 0.6 per cent. Assets were C\$147.2bn on October 31.

Fourth-quarter earnings

advanced to C\$280m, or 88 cents a share, from C\$205m, or 81 cents. The bank wrote down its 8 per cent stake in Inverlat by C\$145m to only C\$10m as a result of Mexico's financial crisis. However, ScotiaBank is investigating the feasibility of substantially increasing its shareholding in Inverlat.

Loan-loss provisions charged against earnings edged down from C\$567m to C\$560m. Net non-performing loans were C\$1.4bn on October 31, a 12 per cent drop from a year earlier. Since October 31, the bank has charged C\$116m after tax against retained earnings to reflect new accounting rules on impaired loans.

Mr Peter Godson, chairman, said growth was especially strong in mortgage and consumer loans, as well as lending to small and mid-sized businesses. The bank's large Caribbean network performed well.

## Licence for Monarch

Monarch Resources, the London and Toronto-listed gold mining company, said it has obtained all the requisite approvals from Venezuelan authorities to export up to 60 per cent of its Venezuelan gold production. Renter reports from New Jersey.

Monarch said it is the first mining company to be issued a gold export licence by the Venezuelan Central Bank under the current regulations.

Monarch also said it had signed an agreement with Johnson Matthey for the refining of its gold exports in the

UK. Prior to receiving the export licence, Monarch had to sell all gold production domestically, including to the Venezuelan Central Bank or its designated agents.

The company said US dollar proceeds from the export sales may be used to service its offshore obligations.

Monarch recently cut output at its La Camorra mine in Venezuela, after reporting a net loss for the nine months to end-September of \$4.79m, or 0.09 cents, against net income of \$835,000, or 0.02 cents.

## Mexico increases size of bond issue

By Leslie Crawford in Mexico City

The Mexican government yesterday said it had placed \$1.5bn in one-year bonds with international investment funds and other investors, in the country's third sovereign debt issue since the devaluation of the peso last December.

The dollar-denominated bonds have been designed as dual currency notes, which will earn the highest of two options: the 12-month London Inter-Bank Offered Rate (Libor), or 6 percentage points below the interest rate on 28-day Mexican Treasury bills, known as Cetes. Investors will have the choice of being paid in pesos or dollars.

Mr Martin Werner, director of public credit, said demand for the new bond offer far exceeded his expectations.

"We had originally planned a \$500m issue, but with demand well in excess of \$2bn, we decided to place \$1.5bn instead," he said.

The issue will help bolster Mexico's international reserves, which stand at about \$12.7bn, or about two months' worth of imports, in view of the \$3.5bn of foreign debt repayments due next year.

Mr Werner said he regarded the appetite for Mexican paper in the international financial markets as a sign of confidence in the government's economic stabilisation programme.

The new debt issue brings to

\$3.6bn the total Mexico has raised as a sovereign borrower in the international financial markets this year.

Mexican banks have also been successful in raising international finance, albeit at a higher cost than before the devaluation.

However, the cost of successive international debt issues this year has fallen.

Mexico's top business leaders yesterday announced they would invest a total of \$8.2bn in the country next year, a 40 per cent increase from recession-hit 1995.

In a ceremony designed as a show of confidence in President Ernesto Zedillo's government, the powerful Mexican Business Council, which

groups the country's 40 top chief executives, said their exports would also increase by 20 per cent in 1996 to \$8.5bn, or about 10 per cent of Mexico's projected total exports for next year.

Mr Claudio X González, chairman of Kimberly-Clark de México, marshalled his peers for this unprecedented announcement following widespread concern in the business community that the government's economic programme was floundering due to a perceived lack of confidence in the country's political and economic leadership.

The peso and the stock market rallied yesterday following weeks of volatility and nervous selling.

## Restructuring puts Seagram into red

By Robert Gibbons in Montreal and Roderick Oran

A US\$290m restructuring charge pushed Seagram, one of the world's top drinks groups and which now has interests in entertainment and communications, into a \$56m net loss for the third quarter to October 31. The loss compares with a profit of \$199m in the previous third quarter.

Seagram's spirits and wines business, which saw profits fall 3 per cent to \$22m in the quarter, will account for \$77m of the charge for "re-engineering every aspect of the way we manage", Mr Edgar Bronfman Jr, Seagram's president, said. The goal was to cut costs and improve practices sufficiently to achieve double-digit profit growth in spirits and wines.

All drinks producers have taken similar actions after suffering from the overall flat volumes and prices. Growth in emerging markets is offset by downturns in mature markets

such as North America and northern Europe.

"Our strategy is to be at the premium end of the business and in emerging markets," Mr Bronfman said. "We're buyers, not sellers [of wines and spirits businesses]," but the emphasis would be developing the present portfolio, including drinks such as Chivas Regal and Passport Scotch, Martell cognac and Absolut vodka.

Group operating profits before the charge rose 37 per cent to \$43m on revenues of \$2.9bn against \$1.5bn. The results included the first full quarter contribution from MCA, the recently-acquired US entertainment group. MCA contributed US\$221m in operating profits, with strengths in films offset partly by a decline in the music business.

The group's third-quarter net loss was equal to 15 cents a share, against a profit of 14 cents a share a year earlier. Nine-months net income was US\$3.3bn, or US\$3.32 a share,



Edgar Bronfman Jr, targeting the emerging markets

including a US\$3.2bn gain on the sale of most of Seagram's 24.3 per cent stake in Du Pont, the chemicals group. A year earlier net income was US\$45m or US\$1.46 a share. Seagram is to change its fis-

cal year-end to June 30 from next year for better alignment with the drinks and entertainment businesses. After the January 31 year-end, it will report for a five-month transition period ending June 30 1996.

## AMERICAS NEWS DIGEST

## RPR cancer drug wins EU approval

Rhône-Poulenc Rorer, the US drugs company controlled by Rhône-Poulenc, the French chemicals group, has won approval for its cancer drug Taxotere for all 15 member states of the European Union.

The approval, from the London-based European Medicines Evaluation Agency, in effect completes the series of approvals for the drug in main markets other than Japan. Last month, the drug was the subject of an "approvable letter" from the US Food and Drug Administration. Such letters usually lead to full approval.

But analysts are divided over the potential sales for the drug. Optimists, such as Lehman Brothers, forecast peak sales of \$350m a year. This would make it easily RPR's biggest single product. The more cautious, including BZW, forecast combined annual sales of \$280m for both Taxotere and a closely related drug, Taxol, made by US company Bristol-Myers Squibb.

RPR says that Taxotere has been shown in clinical trials to have the highest response rate from breast cancers of any single drug. But Taxotere's side-effects have worried some doctors. Such worries were behind the FDA's decision not to give the drug approval when it was first considered in 1994. Taxotere's approval in Europe covers its use in some breast cancer which has proved resistant to chemotherapy or has recurred after chemotherapy. The drug should be available early next year in most European Union nations, the company said.

Daniel Green, London

## Bombardier maintains progress

Strong aerospace, transit equipment and consumer products business helped Bombardier maintain gains in sales and earnings in the third quarter. Net profit was C\$73m (US\$53.9m) or 22 cents a share, up 26 per cent from C\$57.9m, or 17 cents, a year earlier. Revenues were C\$1.6bn against C\$1.3bn.

Nine-months profit was C\$204m, or 61 cents a share, up from C\$164.8m, or 48 cents, on revenues of C\$4.4bn against C\$3.6bn. The combined firm order backlog is more than C\$10bn, including aerospace and transit orders worth C\$800m booked in the past two months.

Robert Gibbons, Montreal

## Stet completes Bolivia deal

Stet, Italy's state-controlled telecommunications holding company, has finalised its acquisition of a 50 per cent stake in Entel Bolivia, the state-run telephone company. Stet, which beat MCI of the US and Telefonos de Spain for the stake, has injected \$510m into the company to underwrite an increase in capital. Earlier this month, the Italian group also bought a 10 per cent stake in Iridium Sud America, a company responsible for satellite cellular telephone communications in South America. It is also hoping to invest in telecoms privatisations in Russia and Chile.

Andrew Hill, Milan

## Baxter follows the trend and unpicks its knitting

The demerger of the US healthcare group Baxter International, announced on Monday, is in several ways a classic of the genre.

First, Baxter is splitting off its manufacturing and distribution activities. Second, it is unpicking a decade-old merger with its larger rival American Hospital Supplies, which was largely designed to bring manufacturing and distribution together.

The announcement also had the classic effect of pushing up Baxter's stock price by almost 10 per cent. This might seem curious, given that the two new companies will remain closely linked.

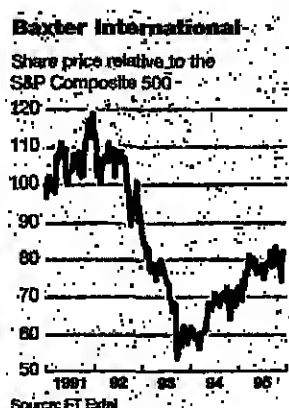
The distribution business, which will provide hospital supplies to the US market, is to sell Baxter products on a preferential basis. These products, ranging from cardiovascular and intravenous equipment to dialysis machines, are estimated by Baxter to cover 70 per cent of the average hospital's requirements.

It might also seem curious that only two years ago, Baxter carefully considered demerging the business and decided against it. Since then, however, several things have changed.

First, the market for hospital supplies in the US has got even tougher. The manufacturing business, which has more than half its sales and two-thirds of its profits outside the US, therefore has every incentive to cut itself loose from domestic distribution.

Also, Baxter's stock price two years ago was languishing at \$22, compared with a high in 1991 of \$40. In response, Mr Vernon Loucks, chairman and chief executive, urged his senior managers to borrow heavily and buy Baxter stock.

Hundreds did so, to good effect. Just before this week's announcement, the price stood at \$38. The announcement pushed the price to \$42. The reasoning seems obvious: if



demergers are in fashion with the stock market - as they certainly are - then give the market what it wants.

However, one reason for the price rise goes beyond fashion. The healthcare industry is responding to cost pressures by consolidating. As Mr Harry Kraemer, Baxter's chief financial officer argues, the new companies will both be more attractive as merger partners than Baxter was before.

"There are a lot of companies," he says, "which might be interested in a high-growth, high-margin medical technology with international market positions, and would not want to get involved in US distribution. There are also people who would like to play a role in distribution who would not want to be involved in international manufacturing."

An outright bid for the manufacturing company, however, seems unlikely. At its present share price Baxter has a market value of close to \$12bn. Of that, almost \$10bn will be attributable to manufacturing.

While both the new companies will have sales of about \$5bn, manufacturing is much more profitable, with margins of 15 to 16 per cent compared with 5 to 6 per cent for distribution. It is also growing faster, chiefly by virtue of being international.

As a result, the manufactur-

ing business will command a higher multiple of its earnings on the stock market. Mr Kraemer will not be drawn on his own estimates of this. "It's not a question of how you divide the \$12bn," he says. "It's more a hope that the combined value of the two will be more like \$15bn."

However, there are tricky issues to be resolved. One concerns the legal liabilities which Baxter, like many healthcare companies, might face in future: in particular, possible damages for the sale of silicone breast implants and HIV contaminated blood products.

The bulk of those liabilities, Baxter says, will go to the manufacturing company. It also argues that its exposure has been fully provided for in its accounts. But that could be upset by nasty surprises in the courts.

The other big question is whether manufacturing and distribution are indeed better separated. In some other industries, the two are still being put together. For instance, in Disney's \$19bn purchase of the TV network Capital Cities/ABC. Even in healthcare, Merck's \$8bn acquisition of Medco two years ago was aimed at securing distribution of its drugs in the US.

Baxter, says Mr Kraemer, is different. "Our products have such strong brand names that the new company will want to distribute them anyway. There's no need to own it."

Perhaps. The impression remains that Baxter's demerger is very much in line with the prevailing fashion: take a vertically integrated business and pick it apart, with a view to possible horizontal merger with fresh partners.

Whether this is a universal panacea is open to question. But it is a wonderful business for the investment banking community.

Tony Jackson

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## NORTHERN IRELAND

Inward investment: by Stewart Dalby

## The best is yet to come

While peace has not drawn in the expected rush of funds, prospects remain good

One of the most tangible signs yet that peace is bringing investment to Northern Ireland, the privately-owned vehicle components manufacturer, announced earlier this month that it would be expanding its Derry, Northern Ireland, plant at a cost of £142m over the next six years.

Set up in 1989 on a site formerly occupied by another less successful Northern Ireland investment - DeLorean - the company already employs 450 people making engine cylinder heads and wheels. Other announcements are being made this week by inward investors, several of which have been held back to coincide with President Clinton's visit to the province.

Thus, more than a year after the ending of violence a momentum is building up, helping to lift the disappointment at the relative slowness with which new jobs have been created in the immediate aftermath of the peace process.

According to the IDB annual report, only 10 out of 76 companies assisted by the Industrial Development Board for Northern Ireland (the conduit for virtually all new investment in the province) in the year to March 1995, were new inward investors.

These new investments would be worth £130m, against which the IDB - which disposes grants and has a powerful array of incentives to attract foreign companies - offered £34m, a 26 per cent level of subsidy. They will create about 2,000 jobs.

The number of jobs created by the projects in 1994/95 was 30 short of the target for the year, the IDB had been looking for 16 new investments rather than 10.

"It was always a nonsense to expect that foreign investment would come in a flood," says John Murray Brown, chief executive of the government-owned Industrial Development Board, "but the fact is that it is coming from across the Atlantic."

George Robinson, the new chief executive of the government-owned Industrial Development Board, believes investment decisions are rarely "impulsive", although fast, it seems, does have its role.

In Derry, for example, many locals contend that Seagate's investment in the city was the direct result of a chance meeting in a San Francisco bar between John Hume, the local MP and Brendan Hegarty, managing director of the California-based technology company.

Few politicians can match Mr Hume's energies and powers of persuasion, but in the wake of the paramilitary ceasefires and the media attention the province is receiving, the whole of Northern Ireland should benefit from this new surge of investment interest - particularly from the US.

The IDB is in a move to underscore its marketing effort in the US, has just opened an office in San Jose - the home of the US semiconductor industry - and is increasing its sales staff in the US by 30 per cent.

In total, 46 US companies are in Northern Ireland, employing about 10,000 people and representing a total investment of about £500m.

The projects include wholly-owned greenfield operations such as Seagate, and equity investments through the US acquisition of local companies, as in the case of Emerson Electric of Missouri which owns FG Wilson, a local manufacturer of diesel generators. At the opposite end of the scale is the small start-up company such as BCO Technology - a computer research and development unit which has just secured a £32m financing deal, led by 3i, the venture capital company, to go into production of its water bonded product.

DuPont was the first US investor in the province in 1959. In 1989 the US chemical giant was looking for a European base for its operations, at a time when the UK was still outside the European Economic Community, as it then was.

The plant, on a 400-acre site to the east of Derry, already represents a £400m investment, producing a range of products including Lycra, DuPont's trademark fashion material used in tights, cycling shorts and other clothing products, and Kevlar, a high-tech fibre used as reinforcement, for example in sails and racing cars.

When the company arrived, it was the only business in the area. In DuPont's case, direct financial support, though important, was not the decisive factor. The government played

Leading investments (greenfield and acquisition) 1993-1995				
Date	Company	Product/service	Jobs	Investment (£m)
27/01/93	Toshiba-Polyindo Group (Indonesia)	Man-made fibres	800	85.00
05/05/93	AVM Computersystems (Germany)	ISDN adaptors	19	0.53
10/08/93	McKee Vehicle Components (GB)	Fuel lines	21	0.90
27/08/93	Valence Technology (US)	Rechargeable batteries	650	76.00
28/10/93	Training & Business Group (GB)	Training services	29	0.51
17/11/93	CFM (GB)	Facilities management	70	6.00
14/12/93	MKF Fölsen (Germany)	Packaging	100	10.00
05/01/94	Shinseung Industrial (Korea)	Printed circuit boards	120	5.00
05/01/94	Seagate Technology (US)	R&D centre	46	15.00
01/03/94	Benelex International (Hong Kong)	CD boxes	300	36.60
19/04/94	Daeewoo (Korea)	VCR head mechanisms	250	17.00
03/05/94	Schneider Automotive (US)	Pressure gauges	58	2.20
06/05/94	TransTec (GB)	Car components	181	15.00
08/10/94	ABC Laboratories (US)	Contract research	80	3.00
04/01/95	Daeewoo Metal Company (Korea)	VCR components	240	7.00
20/02/95	Real Software (Belgium)	Software	18	0.30
28/04/95	Seagate Technology (US)	Hard disc drive thin film recording heads	300	60.00
27/04/95	Dae Rung Industries (Radio Telecom) (Korea)	Satellite video receivers	508	18.00
12/05/95	Daeewoo Electronics Components (Korea)	TV and video tuners	255	9.22
07/06/95	National Australia Bank (Australia)	Debt finance services	67	1.40

would come rolling in the minute the ceasefire was declared," George Hamilton, head of corporate affairs at the IDB, says.

"It can take three years to net a new investment. They are subject to all kinds of leads and lags," he says.

Excluded from the 1994/95 figures, however, are the 1,790 jobs expected to result from the plan by Hualon Corporation of Taiwan to build a £160m textile plant outside Belfast.

This was announced in May 1994 but has been delayed pending an appeal to the European Court in which European textile and clothing manufacturers are challenging a 551m IDB grant to Hualon, claiming the project represents unfair competition. Hualon, with a projected investment of more than £140m - including the IDB grant - would be one of the largest outside investments in Northern Ireland.

There was a slight increase during the year to 4,502 in the number of jobs safeguarded or created through assistance to local companies or outside investors already in the province. Of a total £263m investment for local companies, selective financial assistance of

£26m came from the IDB. However, the IDB has significantly upgraded its forecasts for new investment in 1995/96 and 1996/97.

In attracting new investment Northern Ireland has had not just the "troubles" to contend with, but also its perceived peripheral position. At one remove across the Irish Sea from British markets and with a relatively small population of under 2m, its economy is also handicapped by not being well integrated with that of the Irish Republic.

It suffers from structural problems common to traditional manufacturing areas in Britain such as Scotland, the north-east and north-west. Its industries, such as shipbuilding and textiles, have long since ceased to be the significant employers they once were.

While, for example, nearly 6,000 jobs were created and safeguarded in 1994/95, 4,500 were lost in the same period in IDB client companies through closures and contractions.

Northern Ireland has always had to offer that bit extra to attract new investment. It has the best grant regime in the UK. It can offer investors 50

per cent of the cost of new buildings and 50 per cent of new equipment. Technically it is possible to obtain a grant of 80 per cent for a new investment, although the real level is nearer the 26 per cent seen in 1994/95.

A range of other aids are available. The province also has inherent advantages for investors, however. Wage levels are about 15 per cent lower than on the British mainland. Industrial land is much cheaper than in Britain. Property costs less and the education system is of a high standard.

On top of this, Northern Ireland receives considerable support towards investment in its infrastructure from the European Union. Between 1994 and 1999, Northern Ireland is scheduled to receive £1bn in assistance from the EU, as an Objective One area - that is, an area designated by the EU as lagging in development.

This money will be spent on economic development - industrial aid, roads, airports and ports, tourism, agriculture and fisheries. In addition, £252m is coming from the EU in the form of special reconstruction aid in the wake of the peace process.

"This money is entirely separate from the money from the structural funds," Myles McSweeney of the European Commission says.

Northern Ireland has had, and is having, plenty of money made available to it. Since 1986, overseas investment has totalled £1.7bn involving 275 projects and creating 22,702 new jobs. The IDB reckons that overseas investment has accounted for 82,000 jobs out of a total workforce of 630,000.

A vibrant economy since the ceasefire is another encouragement to outside investors. Retailing activity has expanded, with many people coming from the Republic of Ireland to take advantage of lower prices and UK supermarket group, J Sainsbury, is planning to develop a large presence in the province.

There has been a large increase in tourist arrivals and visitors of all kinds. The Tourist Board reports that in the eight months to August this year there were 1.04m visitors, a record, and an 18 per cent increase over the comparable period in 1994. The tourist spend in the eight months was £183m.

Company output is higher and the province is growing economically faster than the UK as a whole.

Unemployment in Northern Ireland - traditionally higher than in Britain and now at 11.5 per cent - has been falling.

With this buoyancy in the economy, the IDB is optimistic. It has been greatly encouraged by the fact that four of the 10 new inward investments have come from South Korea, one of Asia's fastest-growing economies.

It is hoping for more investment from the Far East and has upgraded its targets to 20 new projects in 1995/96 involving 4,500 jobs, and to 30 new projects in 1996/97 involving 12,000 new jobs.

Providing the peace holds, the prospects are, therefore, for a rapid rise in inward investment to match the general liveliness of the economy.

## PROFILE BCO Technology

## Taking the plunge

Scott Blackstone remembers a time when he used to have to negotiate a dozen army checkpoints when crossing the city to his office in Andersonstown in the staunchly nationalist district of west Belfast. His company, BCO Technology, which he founded with two fellow Americans, is one of the brightest stories in Northern Ireland - a start-up research and development operation which is taking the plunge into mass production.

Three factors are behind BCO's breakthrough - an innovative product, a booming market for the product and the availability of financing. Developing a revolutionary method of processing silicon wafers for the manufacture of semiconductors, the company has now identified its customers. Pilot production started last December. By 1999 the company hopes to be turning over £50m and employing 420.

It has not been easy, especially being located in one of Belfast's roughest districts. "It's a famous area for joy riders. One morning we arrived at the office and there were three burnt out cars outside the gates," says Mr Blackstone, a Cornell graduate who started the company with his partners Jim Corkey and Mike O'Connor.

Using a new method of insulation, the company claims to be able to double the amount of surface area of the wafer, transforming the unit price of the semiconductors and other micro devices which drive motors, radios and telecommunications equipment. The company claims a 40 per cent cost saving. "We can double your volumes, and at reduced price," says Mr Blackstone.

Progress has been slow. Despite its reputation, electronics is an extremely conservative business. Getting

support from the industry has been hard. One of BCO's most important prospective customers - a large US semiconductor concern - insisted the company install a plant in the US, so anxious were they about exposing themselves exclusively to a site in what was a virtual war zone.

Financing was then sought. Mr Blackstone sold his house. But the initial research capital came from the International Fund for Ireland, a fund set up by London and Dublin, and financed by US and European money, in the wake of the Anglo-Irish agreement in 1985.

The company has worked with scientists at Belfast's Queens University, which has made a specialisation in wafer bonding research. The Industrial Development Board, the government agency which approves foreign investment, also agreed to supply grants as the company started to increase its staffing levels.

Much to BCO's relief, the peace process has thrown up a new breed of financier in Northern Ireland - the venture capitalist. With support available for both the large foreign and indigenous investment from the IDB and for the smaller concern from Leda, the local enterprise development unit, there has hitherto been a gap in the market for the small business who needed seed capital to develop a product or increase market penetration.

Venture capital provides that service to business, it also fills a gap in the investor's portfolio. "There has always been money for projects, but if an investor steps forward with £1m but no project to invest in, he needs a vehicle," says Colin Walsh, who manages the recently launched £10m Hambro Northern Ireland Venture Fund. Venture capital has

until now been largely absent from the province. Enterprise Equity, the IFT's subsidiary, has made some inroads. Ulster Development Capital, which was set up by Ulster Bank, the NatWest subsidiary, is fully committed.

Hambro has just completed the financing for its fund, and is starting to travel the Ulster business scene for suitable deals. Mr Walsh expects to have a portfolio of about 20 companies and sees his role as an evangelist, out to convince the small family-owned Ulster company of the sense of using outside equity to expand the business.

Separately, in September, BCO signed a deal for £32m with a venture capital team led by Glasgow-based 3i which includes Enterprise Equity and the Dublin based venture capital company ACT.

3i is anxious that BCO should be seen as a local Northern Ireland company not a foreign investment, so that its success will encourage other local entrepreneurs.

Mr Blackstone agrees BCO is not a typical inward investor. "We didn't bring financing capital, we brought intellectual capital."

BCO would seem a natural target for a venture capitalist. A classic US start-up company, its decision to locate in Northern Ireland rather than the US was largely a matter of timing. The US was in recession in the late 1980s and for a start-up company, the availability of grant support was critical.

Today the semiconductor industry is experiencing unprecedented demand. "If we were two years ahead, we would be ready to go public now," says Mr Blackstone.

John Murray Brown

US investment: by John Murray Brown

## New deals signal growing confidence

Heightened interest in locating in the province is coming from across the Atlantic

George Robinson, the new chief executive of the government-owned Industrial Development Board, believes investment decisions are rarely "impulsive", although fast, it seems, does have its role.

In Derry, for example, many locals contend that Seagate's investment in the city was the direct result of a chance meeting in a San Francisco bar between John Hume, the local MP and Brendan Hegarty, managing director of the California-based technology company.

Few politicians can match Mr Hume's energies and powers of persuasion, but in the wake of the paramilitary ceasefires and the media attention the province is receiving, the whole of Northern Ireland should benefit from this new surge of investment interest - particularly from the US.

The IDB is in a move to underscore its marketing effort in the US, has just opened an office in San Jose - the home of the US semiconductor industry - and is increasing its sales staff in the US by 30 per cent.

In total, 46 US companies are in Northern Ireland, employing about 10,000 people and representing a total investment of about £500m.

The projects include wholly-owned greenfield operations such as Seagate, and equity investments through the US acquisition of local companies, as in the case of Emerson Electric of Missouri which owns FG Wilson, a local manufacturer of diesel generators. At the opposite end of the scale is the small start-up company such as BCO Technology - a computer research and development unit which has just secured a £32m financing deal, led by 3i, the venture capital company, to go into production of its water bonded product.

DuPont was the first US investor in the province in 1959. In 1989 the US chemical giant was looking for a European base for its operations, at a time when the UK was still outside the European Economic Community, as it then was.

The plant, on a 400-acre site to the east of Derry, already represents a £400m investment, producing a range of products including Lycra, DuPont's trademark fashion material used in tights, cycling shorts and other clothing products, and Kevlar, a high-tech fibre used as reinforcement, for example in sails and racing cars.

When the company arrived, it was the only business in the area. In DuPont's case, direct financial support, though important, was not the decisive factor. The government played

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Pivotal role: operators in Seagate's photolithography area. The plant is a vital part of the company's worldwide activities

a key role, however, in providing the infrastructure, improving the roads, and linking up power and water supplies.

DuPont has had its experience of the "troubles" - one of

its foreman was shot by the IRA. "To take stockholders' money for an investment in a war zone hasn't always been easy," says Mervyn Simpson, managing director of the plant.

The company says the quality of the workforce is one of the most important reasons for the plant's success. As a result of new working practices introducing new pay structures, with large work teams and flat organisation, the company says value added per employee has doubled in the past five years. "An operative can earn as much as a technician. Compared with the rest of the UK this is very different," says Mr Simpson.

The government-run Industrial Research and Technology Unit has also played a key role in helping the company to increase its product development, and DuPont is now making a spinning machine and a process technology which has not been developed anywhere else in the world.

Seagate, too, has signalled its confidence in the local operation by siting one of its research and development units at the Derry plant, which with support from the IRTU is now looking at applications for its technology other than for disc drives.

The plant is a pivotal part of Seagate's worldwide operations, making read/write

heads for videos and compact disc players, all of which are shipped to the company's plant in Penang, in Malaysia.

"The IDB did a great job," says Michael Caulfield, the managing director of the Derry operation. During the negotiations, when the deal had still to be signed, the IDB laid on a helicopter to fly the senior Seagate executives to Dublin to talk with Irish officials about

The labour climate has changed with moves to end the anti-Catholic bias in employment

an alternative site. "That showed a real coolness, to lay on a helicopter to take us to the rival development agency," says Mr Caulfield.

The factory, located at the renamed "Disc Drive" on the Derry Waterside, represents an investment of £50m and by the end of next year will have invested a total of £125m under the current expansion programme.

Demand for jobs at the plant

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INTERNATIONAL COMPANIES AND FINANCE

Property boom helps Ayala post 42% rise

By Edward Luca in Manila

Ayala, the Philippines' largest diversified holding company, yesterday announced a 42 per cent jump in net profits to 3.74bn pesos (\$143.7m) for the first nine months.

It attributed the improvement, which comfortably outshines the performance of other Philippine blue-chip companies this year, to strong growth at its property, banking and foods offshoots. The B shares, which are open to foreign buyers, closed up almost 10 per cent at 27 pesos.

Analysts say Ayala Land, the country's largest real estate company, which saw net profits rise by 45 per cent over the past year to 2.43bn pesos, has benefited from the boom at the high end of the residential and office market.

The price of land in Makati, Manila's business district which is largely owned by Ayala, has doubled to almost 300,000 pesos a square metre since January. Condominium and office block rents have risen at similar rates.

Net profits at Ayala's banking subsidiary, the Bank of the Philippine Islands, rose 18 per cent in the first nine months while average assets expanded by 23 per cent. The bank said it had benefited from the rapid growth of the mortgage and car loan markets.

Rising consumer spending boosted Ayala's food subsidiary, Pure Foods, which reported a 33 per cent growth in net operating income. The holding company's computer subsidiary, Integrated Micro-electronics, and its insurance arm, Ayala Life, also posted healthy revenue growth.

Golden route to help Eva find black  
HK flights are a coup for the Taiwan carrier, says Laura Tyson

When Eva Air, Taiwan's leading private carrier, inaugurates flights to Macao's new airport next week it will mark the airline's first step into Asia's most important aviation market.

Taiwan aviation authorities awarded Eva rights to fly from Taiwan to Hong Kong and the Portuguese enclave, after a draft bilateral air services pact was signed in late October.

Taiwanese carriers are not yet allowed to fly directly across the Taiwan Strait to China. But gaining access to China's doorstep allows Eva to tap into one of Asia's most travelled paths. Taiwanese traffic to China is growing alongside fast-rising investment. It also permits Eva to establish a foothold in Hong Kong and Macao before their reversion to Chinese rule in 1997 and 1999, respectively.

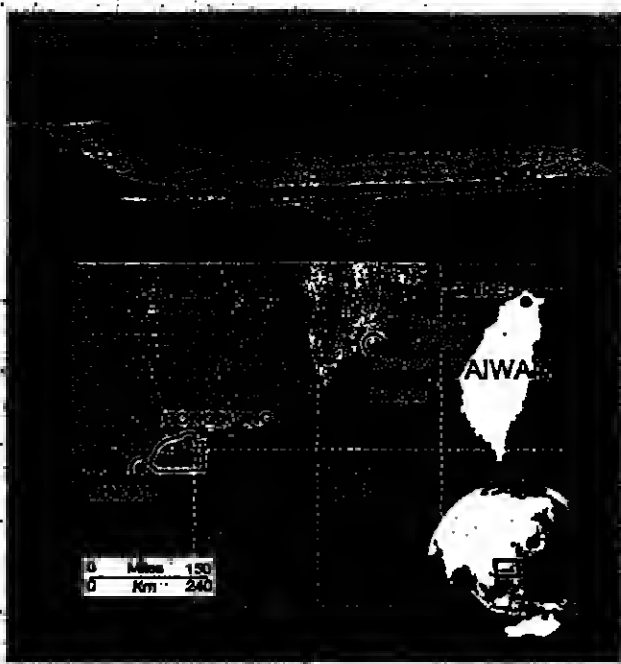
Eva's entry into the Hong Kong route, reputedly Asia's most profitable, weakens its competitors and will help push the five-year-old carrier into the black.

Hong Kong's Cathay Pacific and Taiwan's state-run China Airlines (CAL) have had a duopoly on the Hong Kong-Taiwan route for two decades and were reluctant to open the route to other carriers.

"We were quite keen to get the Hong Kong route and we worked hard to get it," says Mr. Nien Kuowei, a spokesman for the carrier which is controlled by the Evergreen group, one of the world's biggest container shipping lines.

Dubbed the "golden route" in Chinese, the Hong Kong-Taiwan market alone represents 10,000 seats a day, with an estimated 70 per cent of passengers en route to or from China.

Trips by the Taiwanese to China for business and tourism



Eva is to buy at least six MD-80s (above) as part of its expansion

have have increased rapidly since the late 1980s and the majority of travellers pass through the British colony in the absence of direct flights across the Taiwan strait, banned by Taipei since 1949.

Some observers believe the ban may be lifted before Hong Kong's transfer to Chinese rule in mid-1997, but the timing of such a move is uncertain. In any case, cross-strait flights are likely to be restricted to a small number of destinations on the mainland which would ensure that Hong Kong maintained a stream of through-traffic.

Like other Taiwanese carriers, Eva is preparing for the day when direct flights are allowed, but it is proving more aggressive than its competitors. As well as expanding its

fleet, the airline has taken stakes in two smaller domestic carriers.

"Eva has been much more aggressive than China Airlines in buying smaller aircraft better suited for routes to destinations in mainland China," says one transportation analyst at a foreign brokerage house in Taipei. "China Airlines seems to be concentrating on its long-haul routes."

Eva has spent nearly US\$4bn on 26 aircraft from Boeing and McDonnell-Douglas and has recently agreed to buy six more MD-80 aircraft, with an option to buy six more. Five of these will go to Makung Airlines, which Eva took control of earlier this year. Eva also holds a 20 per cent stake in

Great China Airlines, another domestic carrier. The local carriers operate the smaller jets needed for most China flights.

Despite the lack until now of the money-spinning destinations - Hong Kong and Tokyo - Eva has proved its competitive muscle on other routes. Its four-class seating and service has found favour with Taiwanese travellers.

Eva also gained when CAL suffered a fall in passenger numbers after a serious crash last year at Nagoya, Japan, and an earlier mishap in Hong Kong when one of its aircraft slid off the runway into the harbour. But CAL is not the only carrier to feel the chill.

US airlines have been cutting routes. Northwest Airlines has cut its Taipei-Seoul route; United Airlines this year dropped its Taipei-Bangkok route; and Delta has cancelled its Portland-Taipei route.

Eva now serves 25 destinations in the US, Europe and Asia and Australasia. By the end of 1995 it will have added Amsterdam, Washington, Panama and probably Hong Kong.

Originally registered as an international carrier, Eva last year muscled into the domestic market, which is fast-growing but constitutes a small portion of its revenues. It began freight services in April.

In 1994 Eva carried 2.1m passengers with an average load factor of 70 per cent for revenues of US\$70m. The carrier hopes to break even this year after losses of T\$976m (US\$35.7m) in 1994 and T\$2.2bn in 1993. That will be good news for Taiwan-listed Evergreen Marine Corp, which owns 27 per cent of Eva and whose profits have been dragged down by the carrier's losses.

Evergreen expects to list Eva on the Taiwan Stock Exchange after a few years of profits.

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Yen50,000,000,000  
Floating rate notes due 2000  
The notes will bear interest of 1.39436% per annum from 30 November 1995 to 31 May 1996. Interest payable on 31 May 1996 will amount to Yen 703,726 per Yen 100,000,000 note.  
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Notice is hereby given that for the interest period 30 November 1995 to 29 February 1996 the notes will carry an interest rate of 6.0625% per annum and that the interest payable on the relevant interest payment date 29 February 1996 will amount to US\$152.25 per US\$10,000 note and US\$3,631.16 per US\$250,000 note.  
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Floating rate subordinated notes due 2000  
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In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the interest period from November 30, 1995 to February 28, 1996 the Notes will carry an interest rate of 6% per annum.  
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## 6 NORTHERN IRELAND

■ The Northern Ireland Growth Challenge: by Tim Dickson

## Practice, not preaching

An ambitious new body aims to make the region the fastest growing in western Europe

For a region whose population is not much bigger than greater Leeds, Northern Ireland could arguably do without another business organisation, government agency or employers' representative body. The Northern Ireland Growth Challenge, however, is different.

Set up in the autumn of 1993, NIGC is unusual for several reasons. It is private sector-led in a province which all too often looks to government for a lead. Its analysis is hard hitting, highlighting the north's "insular culture" and "contented middle class" as characteristics of the "enemy within". And its target - to turn Northern Ireland into the fastest growing region of western Europe - is strikingly ambitious.

Over the past few months NIGC has entered a new phase in which action replaces analysis and the initiative moves out of the shadow of the Belfast aerospace group Short Brothers, its early administrative and creative engine.

Tangible results are starting to appear in the software, engineering, food processing and education sectors, and an organisational structure has begun to take shape with the appointment of regional Confederation of British Industry director Nigel Smyth as full-time NIGC director.

NIGC believes Northern Ireland's main problem is that it lacks world class sectors or what US management writer Michael Porter calls competitive "clusters" - sets

of interrelated activities found in a region in firms, universities, schools, research institutes or government organisations and which act as an innovative spur to businesses in that region.

Mr Porter is not directly involved in NIGC himself but Monitor Company, a London based management consultancy of which he is a founding shareholder, is providing support for the development of strategies and action programmes aimed at transforming local attitudes and business conditions.

It is still early days but solid results are already being achieved by the 10 fledgling sector teams.

● In the software sector, for example, a newly formed industry federation is seeking to develop the export potential of member firms which hitherto have limited their ambitions largely to the local Northern Ireland market.

Links have been established with clusters in Massachusetts and the Republic of Ireland; a cross border conference was held earlier this month with a view to identifying opportunities and sharing best practice. "Contracts are starting to come from this," says Roy McNulty, Short's president and NIGC chairman.

● The NIGC's engineering cluster has set up an aerospace task force to develop new synergies around Shorts, one of Northern Ireland's few world class manufacturing firms. Based on a model pioneered by the Cardiff Business School and the Welsh Development agency, new "supplier clubs" have been formed around companies such as AVX, Ford and PO Wilson to help members learn from their peers.

● NIGC has also been the catalyst for a new Food Processor Association, a significant development in a region where farmers and food producers are well organised but where the added value of food processing has not been fully exploited.

Management and skills training, co-ordinated R&D, and industry specific seminars are among the priorities for a sector top heavy with smaller enterprises used only to serving a local market. Mr McNulty points out that the arrival in Northern Ireland of supermarket groups such as Sainsbury and Tesco will demand greater professionalism from food processors.

Perhaps the NIGC education, training and employment team's most interesting experiment is a plan to open up company training schemes with surplus capacity to the unemployed in the new year.

Mr McNulty, whose contribution to NIGC is widely praised in the Northern Ireland business community, acknowledges that the hard part is yet to come. "It is one thing to do the report, another to make it happen over the next few years."

A priority, he explains, is to "integrate" other players such as the CBI, the Institute of Directors, the Chambers of Commerce, trade unions and the political parties "so we can join our voices and go forward together".

Mr McNulty backs up his optimism by citing a recent remark made by the Downing Street policy adviser Norman Blackwell. "One of Northern Ireland's competitive advantages has to be its size - it has to be possible to get everyone working really closely together and to solve the problems as they are identified."

## Casting off the sackcloth

Peace has made the province an alluring destination - and not just for business



Spot of golf? Northern Ireland has 47 courses, with a dozen within five miles of Belfast City Hall

The craic and the porter black. To have come through the past quarter century intact, the bar trade in Northern Ireland must be something special. From the Victorian splendour of The Crown (owned by the National Trust) to the hearty stick-to-your-ribs food of the Kitchen Bar (stew is the speciality, but try the Irish pizza), Belfast's pubs offer a warmth that has been unaffected by the "troubles".

The countryside offers its own secrets. Take off in any direction - north along the Antrim coast may be the most scenic - and you will eventually come to a pub of unforced charm, whether there is sketch on the roof or the odd bit of tin.

Stout is, of course, the drink of choice, and the craic (pronounced "crack" and meaning jolly larks) comes free. Strange sects. Of course, there are those in Northern Ireland who object to time spent in pubs and think the days should be set aside for more sacred things.

But the golfers are usually too busy to get in the way of sinner people. With 47 courses to choose from, there is no argument against some work on the old handicap, nor is there a shortage of partners. There are a dozen courses within five miles of Belfast City Hall and the coast is densely populated with links, including the famous fairways of Royal Portrush and Royal County Down.

Room at the inn. One of the few fears associated with Northern Ireland's present tourist boom is that the province is running out of hotel rooms, although several entrepreneurs are acting to correct that. Belfast hotels, once taboo for many visitors, are now finding the trade they always yearned for.

The Europa, which once claimed the ignoble title of Most Bombed Building in Europe, has bounced back from financial woes to lay claim to being the city's finest. Its sister hotel on the outskirts of the city, The Culloden, is probably the province's finest.

Pass an estate agent, however, and you might think of more permanent accommodation. Homeowners are in the happy position of being able to buy the cheapest housing in the UK while watching it appreciate at the greatest rate.

The average house still costs less than £50,000 and its selling price went up by 10 per cent in the last year.

Nor does a home need to be a castle. Contrary to popular notions, Northern Ireland's crime rate is low. In fact, it was lower than Switzerland's before the ceasefire.

Learning the lingo. Coming from another part of the UK is no guarantee that you will understand or be understood upon entering Northern Ireland. But you can generally pick up the gist of an expression from the context.

"What about ye?", for example, cheerfully spoken, is a greeting on the lines of "Hello, well met". "You blurt got a blatter on the lip" means an unfortunate has received an injury to the head. "Away and thro' slack at yer self" means it is probably time for you to gracefully withdraw.

Down to business. For all its charms, Northern Ireland is keen to do business, which is why it is attracting more than its share of foreign investment.

There are, of course, generous government grants for setting up in the province, combined with low overheads including low labour costs.

The infrastructure is also a bonus, especially for the emerging high-tech industry. Thanks to EU funding, Northern Ireland now has the most advanced phone system in Europe to go with ports and airports that bring business to the heart of the continent.

Talk about the weather. The big drawback is wet spells, known in other parts of the world as seasons.

However, the incredibly optimistic point out that, if global warming is for real, Belfast could end up like Rio. Realists, however, may take note: no one is yet getting rich selling string bikinis.

Compiled by Macmillan Media, Belfast

■ The Northern Irish connection: by Tim Dickson

## Cohesion of the diaspora

Two initiatives have been set up to tap into the resources and skills of expatriates

When John Matchett left Northern Ireland in the late 1950s he turned out to be one of the region's best but least publicised exports: its talented people.

Mr Matchett worked as an engineer in Canada before establishing his own successful precision/structural engineering concern there employing 25 people.

Fortunately for Northern Ireland, Mr Matchett returned to the province in 1983, set up his Steam Plant Engineering Services Northern Ireland in Carrickfergus employing 60. In the present climate of hope an important question in economic corridors in Belfast is whether others like him can be tempted to follow.

More than any other people, save perhaps the Chinese, Irish expatriates retain a close identity with their homeland. The cohesion of the Irish "diaspora" has been a leading factor in the success of Tony O'Reilly's Ireland funds, but recent experience shows that those with Northern Irish roots also have a part to play.

Two examples of this are the Northern Ireland Partnership, an international voluntary network of senior business and professional people, and the Make It Back Home initiative, spearheaded by the local small business development agency, Ledu.

Make It Back Home was launched earlier this year in North America with a view to attracting back more John Matchetts. The initial response exceeded all expectations. More than 200 expats showed up at the Sheraton in Toronto, against the 50 or so expected and almost 1,000 written enquiries have been received.

Ledu, says Chris Buckland, its chief executive, is dealing with 40-50 "serious" business proposals although it could take as long as a year, he says, before people make up their minds to move back. "The fact that these individuals have seen the wider world and have wider horizons is good in a region where too many local businesses tend just to see the hurdles."

Mr Buckland stresses that the campaign offers no financial incentives to the home-comers - just clear information about what is already available. He says Ledu can also help expatriates with operations elsewhere, to set up "satellites" in Northern Ireland to tackle the European market.

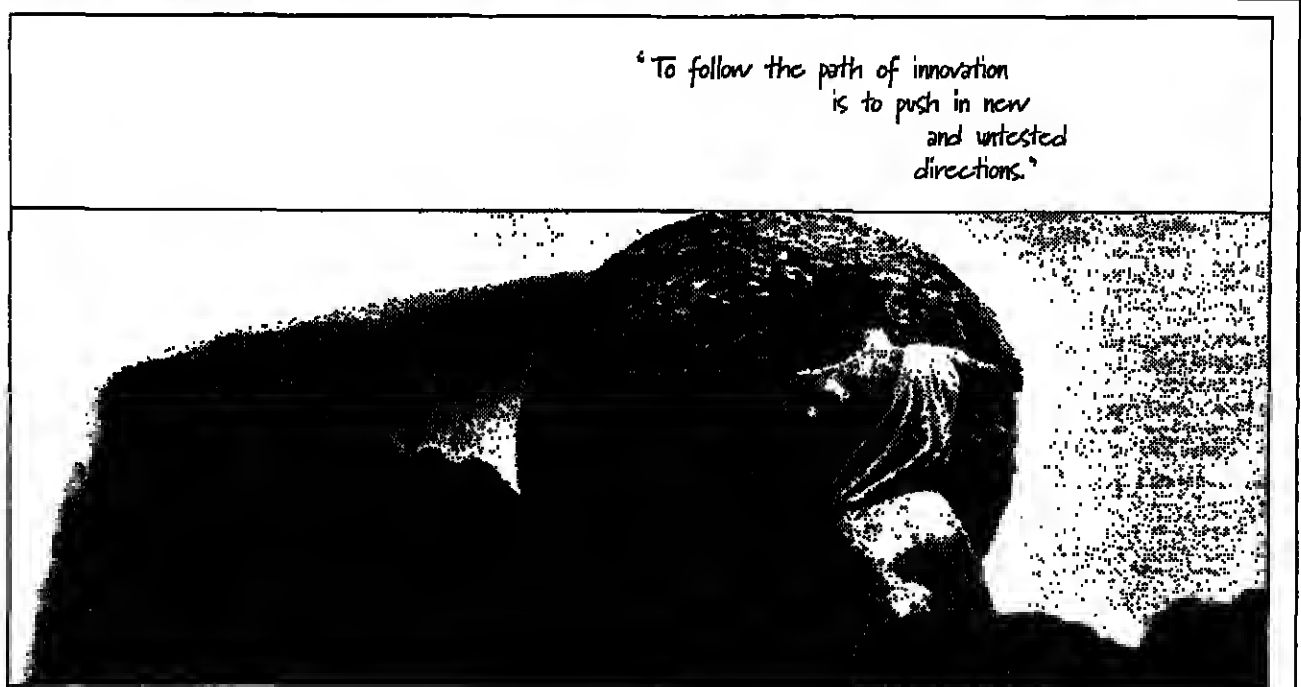
The mission of the Northern Ireland Partnership, meanwhile, is to help the Industrial Development Board "create and sustain viable job opportunities for the people of Northern Ireland".

The organisation has most members in Northern Ireland itself, but big branches have been formed in Great Britain, Hong Kong, Canada and the US. Dr Alan Gillespie, managing director of Goldman Sachs International and chairman of the GB branch says "the most important thing" is for IDB to use the partnership's networking potential.

"By definition we are all enthusiasts. We have all signed up to help," he told a recent meeting in London.

Leads have been provided by NIP members, none more effectively than a phone call from Hong Kong-based Mongia Magill, who works for the UBAF bank putting an IDB executive on the trail of Texmaco, an Indonesian-based company. This has since announced plans to employ 900 people in two factories in the province.

The Northern Ireland Partnership, 64 Chester St, Belfast BT1 4JX. Tel: 01232 548256. Ledu, Ledu House, Upper Caboolly, Belfast BT8 4TB. Tel: 01232 491031



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## Northern Ireland Key Facts

Population 1.8m  
Area 13,000 sq km  
Capital Belfast  
Population (Greater Belfast) 475,000

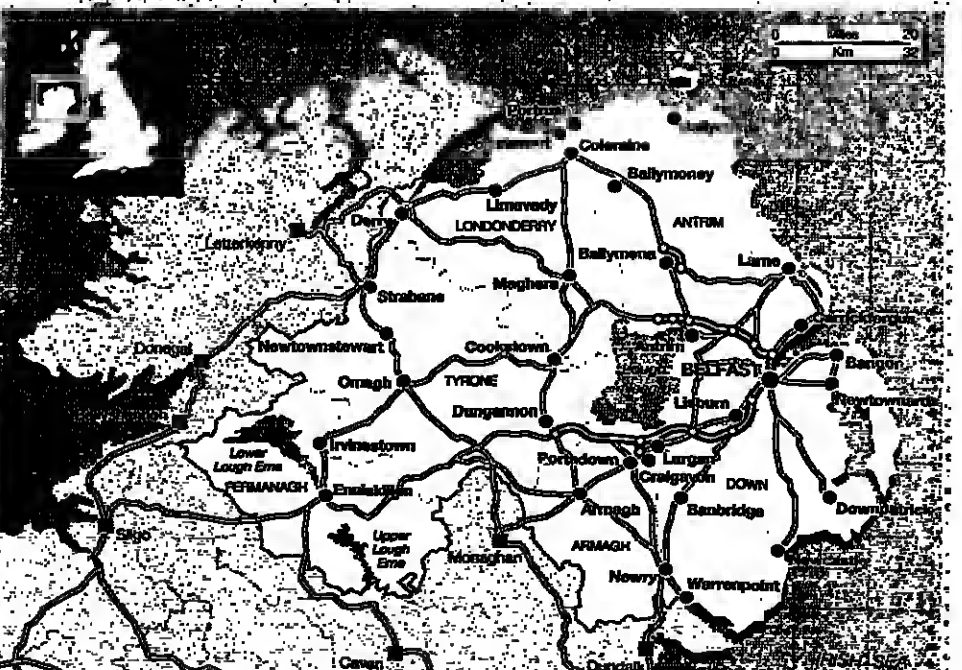
Climate (average daily temperature)  
January-February 5.9°C (49°F)  
July-August 13.1°C (54°F)  
Average annual rainfall 92.5cm

Economic data  
Gross domestic product £12,350m  
GDP per head £7,574  
Total personal disposable income £10,670m  
Personal disposable income per head £5,765  
As % of UK 88.6%

Political and government  
Party Leader Seats % (1992)  
Ulster Unionist Party D. Trimble 9 34.5  
Social Democratic & Labour Party J. Hume 4 23.5  
Democratic Unionist Party I. Paisley 3 18.1  
Sinn Féin G. Adams 0 10.0  
Alliance Party J. Alderdice 0 8.7

Robert McCartney is an independent MP for North Down

Labour market (1994)  
Total workforce 550,700  
Employees in employment 82,200  
Self employed 15,800  
Work-related trainees 96,200  
Unemployed 244,800  
Total 744,800



Future labour supply (population: % change 1986-2001)  
Age group NI UK  
15-24 -10.0% 23.3%  
25-49 -5.1% 1.5%  
50+ -8.9% -2.2%  
Total -7.3% -3.3%

● Labour turnover is 9 per cent in NI compared to figures of up to 30 per cent in GB.  
● Overall, NI has the best industrial relations record of any UK region.  
● The current annual graduating force from NI's two universities is 8,300.  
● Labour costs are 10 per cent lower than the UK average, 80 per cent below the German average, 40 per cent below the US average and 50 per cent below Japanese rates.

## Land/house costs

Average house costs (July 1995)  
GB NI % difference  
Detached £276,054 £102,334 -25.9  
Semi-detached £239,482 £258,868 -32.9  
Terraced £226,070 £48,690 -43.0  
Bungalow £253,070 £87,222 -22.0

## European comparative construction costs (1994)

Country Warehouses (Index) Offices (Index)  
Northern Ireland 75 75  
UK 100 100  
Germany 276 179  
Italy 127 141  
Spain 91 59  
Republic of Ireland 117 89

(Index based on cost per square metre, UK as base index, UK=100)

## Traffic density

All vehicles per kilometre of road  
Northern Ireland 24.32  
Great Britain 631.32

Compiled by Macmillan Media, Belfast  
Picture by Colin Boyle from "Parallel Realities" (Backstaff Press/Belfast)



## COMPANY NEWS: UK

## Savoy studies consequences of Forte action

By Scheherazade Daneshkhu  
Leisure Industries  
Correspondent

Savoy yesterday erected barricades around its hotels by forming a committee of directors to deal with the consequences of the £3.6bn hostile bid launched by Granada for Forte.

Forte, the UK's largest hotels company, holds 68 per cent of the ordinary shares in Savoy, but only 42 per cent of the voting rights. The group includes the Berkeley and Claridge's in London.

The committee's main aim will be to maintain Savoy's independence.

Granada, the TV and leisure group, has said that it would sell Forte's Savoy stake if its bid succeeded because the group was not profitable enough. Savoy is worried that a single party would buy the whole stake and attempt a takeover.

Savoy's dual share structure has made it impossible for outsiders to take control from the charitable trusts established to preserve its independence. The price of Savoy A ordinary shares has risen by 18 per cent to £10.38 since the bid, valuing Forte's stake at £208m last

night, compared with a book value last December of £144m.

Sir Ewen Fergusson, Savoy chairman, said yesterday the formation of the committee was "an entirely preparatory move". It is believed Savoy was advised that it should regard itself as under offer due to the Granada bid.

Mr Gerry Robinson, chief executive of Granada, said yesterday it had made a courtesy call to Savoy and told the company: "We're here to help."

Although Mr Robinson said he did not believe it would be difficult to sell the stake, analysts were dubious about institutions wishing to buy them given the poor, albeit improving, profit performance of Savoy.

A buyer for the whole Forte stake, or for 30 per cent or more of the voting shares, would have to make a bid for the whole of Savoy, yet would still not be guaranteed management control.

The committee members are: Sir Ewen Fergusson; Mr Ramon Pajares, managing director; Mr Alan Fort, finance director; and Mr Martin Radcliffe, director. There are also two non-executive directors - Lord Thurso and Mr John Kemp-Welch.

## Cereal sweeteners bolster Tate rise to £311m

By Roderick Oram,  
Consumer Industries Editor

Strong performances by cereal sweeteners and starches helped Tate & Lyle overcome weakness in US sugar to report a 14 per cent rise in pre-tax profits to a record £311.1m for the year to September 30.

"Our core businesses are in better shape than they have ever been," Sir Neil Shaw, chairman, said.

US cane sugar was the group's worst problem. Its operations only broke even because cane prices soared, while selling prices slumped under competition from a bumper beet sugar crop. Tate said the market should improve this year.

Its US cereal business had to cope with a 50 per cent jump in corn prices to more than \$3 a bushel. But Tate expressed confidence that it and other processors would recoup the

costs in high selling prices during the industry's annual customer negotiations currently under way.

Despite the setbacks, operating profits from North American sweeteners and starches rose to £170.8m (£147.6m). Demand was strong from food, drink, paper and industrial users of starches and cereal sweeteners from Staley, its main US operation. Staley and Tate's US sugar operations continued to benefit from investment

in new and upgraded plants.

Operating profits from European sweeteners and starches rose moderately to £144.3m (£136.5m). Established sugar businesses performed well and the group continued to invest in central and eastern Europe. Amylum, its cereal sweetener and starch business, also benefited from strong demand.

Animal feeds turned in profits of £35.4m (£25.6m).

On turnover up 12 per cent to £4.71bn, pre-tax profits were struck after exceptional costs this time of £25.5m, attributed equally to European rationalisation and to the write-off of the remaining investment in its first generation Sucralose sweetener plant.

The group proposed a final dividend of 11p to make a total of 18p, up 11 per cent. Fully diluted earnings per share were 42.9p (37.1p).

## Sweet success beckons in newly opened markets

Roderick Oram on Tate & Lyle's plans to expand its sugar businesses and develop its starch concerns

For a man who has spent his "whole life messing around with corn", Mr Larry Pillard has a broad view of Tate & Lyle's growth potential.

The newly chosen chief executive heir to Sir Neil Shaw is more than just a corn man. He sees opportunities for Tate to expand its sugar businesses in newly opened markets around the world and to grow its starch businesses as high technology uses for the extremely versatile product, such as biodegradable plastics, are found.

That Tate has a substantial exposure to starch and financial resources to play the role of the only global sugar company is a tribute to Sir Neil's 15 years as chief executive.

When he arrived in 1980 from Redpath, Tate's Canadian sugar subsidiary, the parent company was a shambles. In the last throes of family management, it came close to going bust in the late 1970s when sugar prices collapsed. It also made a string of bad investments ranging from shipping to sugar production in the US.

Sir Neil turned the company around, producing good results

in the early 1980s. But the group strayed again in the mid-1980s in a number of deals, including a failed bid for Brooke Bond, the food processor, and in a curious flirtation with US plastics making.

The building blocks for its present robust health were laid in the late 1980s. Tate realised that health conscious food and drink producers and consumers demanded other types of sweeteners besides sugar. Processing corn to produce high fructose corn syrup looked like the most promising sweetener opportunity, producing some profitable starch sidelines as by-products.

"Neil was particularly visionary on how the industry had to budge its bets across the whole range of sweeteners," Mr Pillard says.

The chosen vehicle was AE Staley, the Illinois-based corn miller that Tate acquired in a \$1.48bn hostile takeover in 1988. The deal bought it 25 per cent of the US market for high fructose corn syrup. One of Staley's shareholders was the Callebant family, owners of Amylum, a Belgium miller and starch producer. Tate has a

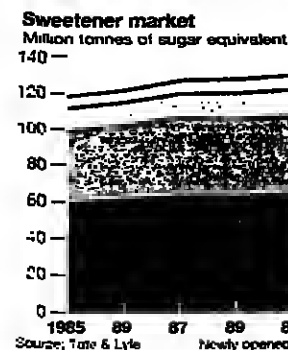
63.3 per cent share in Amylum. Tate also vigorously expanded its sugar business, particularly in the US and invested heavily in Sucralose, a high-intensity sweetener to compete against artificial products such as aspartame. Sucralose is selling strongly in Canada but is still awaiting US regulatory approval.

Staley required a lot of sorting out, first in peripheral disposals and then in improvements to manufacturing and management. The latter proved problematic for Tate. Mr Pillard was hired in 1992 to take on Staley, the group's "thorniest problem," according to one analyst.

About 80 per cent of Staley's profits now come from corn sweeteners. The US market has grown by 4.6 per cent a year between 1990 and 1994 and demand continues apace from US drink producers. The rest of Staley's profits come from non-sweetener uses of corn such as starch for food products.

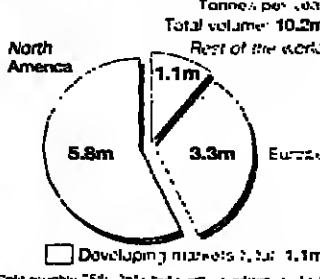
Mr Pillard believes there could be many high technology uses for starch. Ways are being developed to use dextrose, its basic building block, as a feed-

The sweeteners market opens up



Source: Tate & Lyle

Sweeteners and starch volume\*



\* Split roughly 25% between sweeteners and starch

stock substitute for petroleum in areas such as fuels, plastics and solvents. Moreover, it is an environmentally friendly fermentation medium for a range of other processes.

Meanwhile, sugar, long seen as a commodity with dull prospects in mature markets, has over the last four years gained a new lease on life. Every previously closed market in the world has started to open up, with the exception of Japan.

Out of total investment of \$539m between 1990-95, Tate has poured \$129m into developing markets of which £73m was spent last year alone both on sugar and starch.

Investing in countries across central and eastern Europe,

Africa, Asia and Mexico, Tate is the only sugar company with a global reach. As living standards rise, so will the demand for sugar. As country markets almost always fall to a few big players, Tate is well placed to produce that sugar and seems to have the cash-flow to make the necessary investment as long as profits hold up in mature markets.

Developing markets account for about 10 per cent of Tate's production volume of starches and sweeteners, but that could rise to 25 per cent within three years and 33 per cent in five years, Sir Neil says.

Making profits is another matter. Developing markets broke even for Tate in 1994 and

made pre-tax profits of £3m in the year to September. As investment trails off and volumes build so should the profits, the company believes.

Mature markets are another challenge. By being the most efficient processor, Tate can maximise its profits and minimise losses through commodity cycles. In US cane sugar, for example, it broke even this year while everybody else lost heavily. It is this cyclical nature above all else that keeps investors cautious on Tate, however much they admire its expansion strategy. Breaking free might prove more of a challenge than cracking new sugar markets or finding new uses for starch.

## JLI shares dip on snack trend warning

By Katrina Lowe

Continuing problems at its snacks division resulted in a 7p fall in shares of JLI Group to 62p.

Mr Yoav Gottesman, chairman of the food processing and snacks group, said that because of disappointing trends in the nut sector, the group had decided to close its snack processing facility in Bootle, Merseyside. A related charge of £800,000 would be taken in the second half.

Analysts are expecting the group to achieve pre-tax profits of between £3.2m and £3.6m for the full year, excluding exceptional items. In the 12 months to March 31, pre-tax profits fell to

£3.64m (£4.06m) after a £320,000 restructuring charge.

The benefits of the disposal of the Jack L Israel import and distribution subsidiary were reflected in the results reported yesterday for the six months to September 30.

Pre-tax profits rose from £1.73m to £2.94m aided by a £1.4m exceptional gain from the disposal. The group said that gearing had been reduced from 87 per cent to 36 per cent. Sales of £40.7m (£54.3m) included £34m from continuing operations. Operating profit fell to £1.79m (£2.23m).

The interim dividend is maintained at 1.55p, payable from earnings per share of 5.7p (2.8p).

## Sema pays £23m for French stake

By Christopher Price

Sema, the Anglo-French computing services group, has paid FF174m (£22.9m) for a 40 per cent stake in a French outsourcing company, with an option to take a further 10 per cent.

TS FM Holding, a subsidiary of France Telecom, the French state telecoms group, specialises in the management of data processing activities on behalf of clients and also provides software maintenance and development services.

In 1994 its pre-tax profits amounted to FF34.1m on sales of FF151m. About half of turnover is related to business with France Telecom which has an interest in Sema through its minority holding in Financière Sema which in turn has 41.5 per cent of Sema.

Sema will manage TS FM operations as part of its group outsourcing operations. Payment will be made from cash resources - it had £34.7m at June 30 - and existing borrowing facilities. The option to buy a further 10 per cent of TS FM for £5.9m is exercisable between April 1 and December 31 1997.

Last month Sema announced it was in talks to acquire Cisl, the computer services arm of the Commissariat à l'Energie Atomique, the French government agency, in a deal thought to be worth about £60m.

### NEWS IN BRIEF

**CAPITAL & REGIONAL** Properties announced an £8m expansion and refurbishment scheme by Safeway Stores of its anchor store at the Aylesham Centre, Peckham, London. The scheme will extend the store from 36,000 sq ft to 52,000 sq ft.

**CAVERDALE** subsidiary, Godfrey Davis Motor Group, is to acquire Stanro Holdings and Clark Lawrance for up to £1m. Stanro holds the Rover and Protou franchises for Leicester and in addition, is the Unipart corporate wholesaler for the city. Clark holds the Rover franchise for Luton and Dunstable.

**GRAYSTONE** is to acquire Lighten Point Corporation Europe, a distributor of automotive electrical components, for an initial £2m, with a further profit-related amount of up to £2m.

**SERIF** shareholders have approved the joint venture with Schlumberger relating to the business of Cowells Cards.

**RUGBY ESTATES** has paid up to £3.05m for a 50 per cent interest in ICP Properties, which was formed to buy, for an initial £2.25m, some property development interests from ICP Developments and Artona Holdings.

**UNILEVER** expects to reach agreement on the purchase of PCH Diagnostics, the distribution business subsidiary of OPC Group. The consideration is not significant to group assets. PCH is a distributor in the Netherlands for Oxoid microbiological tests and Clearview diagnostic tests supplied by Unilever's Unipath subsidiary.

**ZENECA** has won US approval for Zestril to be used in heart attack cases. Zestril, Zenece's biggest selling product, is one of a group of heart drugs called ACE-inhibitors that are normally used in patients with heart disease. It is the first to receive US approval for use in the first 24 hours after a heart attack, according to Zenece.

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British Coal Corporation

Sale of Cawoods of Northern Ireland

advised by

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November 1995

British Coal Corporation

Sale of British Fuels

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Parsons Power Generation Systems Ltd, part of Rolls-Royce Industrial Power Group and Clough Smith Limited

for the Samindra Combined Cycle Power Plant and related Transmission Line Republic of Indonesia

£50,051,789 Million UK Export Credit Facility

arranged by

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April 1995

Pangasinan Electric Corporation

2 x 600 MW (Net) Power Station at Sual, Pangasinan Province Republic of the Philippines

US\$445,202,000 Million UK Export Credit Facility

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## 2 AUSTRALIA

■ Politics by Nikki Tait

## Sound and fury, signifying little

The protagonists have locked horns, but uncertainty still surrounds the election

Two months ago, Mr John Howard, leader of the federal opposition, dispatched a customised truck displaying details of Australia's foreign debt to marginal constituencies. The same week, Mr Paul Keating, Australia's prime minister, donned a "man-of-the-people" mantle and made a guest appearance at the Rugby League final.

At that point, Australians knew the political gloves were off, and the federal election campaign had begun.

Rumbustious political jousting has continued ever since, with Labor government ministers missing few chances to swing into their opposition opponents, and vice versa. But, for all the heat and fury, more uncertainties than known facts surround the impending poll.

The first is the date on which it will take place. The election must be called by May 1996 but, as yet, the prime minister has given no indication of his preferred timing. His only

public comment, repeated several times, is that it will be a 1996, not 1995, date.

Many pundits favour March. January is the height of the Australian summer, when families are closed and many are on holiday. In February, when everyone goes back to work, formal campaigning could usefully begin.

After March, a poll could complicate the budgetary time-

**The opposition leader has made clear that he will not unveil any policy details until shortly before the poll**

table, despite the decision to push back the next budget from May to August. If Labor is returned to office, and the new government is to have any hope of approaching a 1995-96 budget surplus, it would need to complete a multi-billion dollar sale of its shares in Commonwealth Bank before end-

June - a privatisation that ministers have said will not take place until after the election.

March, moreover, was auspicious for Labor three years ago, when Mr Keating grasped a comfortable victory despite near-universal warnings of certain defeat.

Even so, the prime minister can be expected to watch the short-term economic cycle very closely.

The jury is out on whether Australia will be able to implement an interest rate cut in the next few months, a move that would bolster Labor's standing among mortgage-paying voters. Sceptics note that the Reserve Bank, Australia's central monetary authority, has stressed the need to be vigilant on inflation, and is keen to be seen to be independent of government manipulation. It would want to rationalise a rate cut on fairly compelling economic grounds.

But there are also some signs that the economy is slowing sharply. If US rates ease again, it might yet be possible to justify a similar downwards movement in Australia. The possibility of this scenario developing could stay Mr Keating's hand on the election trigger.

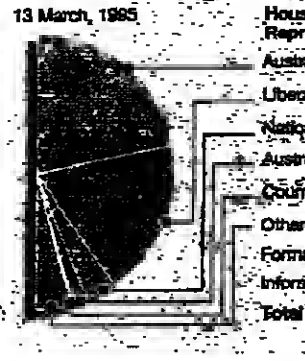
The second unknown is pre-

cisely what issues will dominate the campaign.

The government and opposition - a coalition of the Liberal and National parties - share common ground on a number of policy areas. These include the need to engage with the Asia-Pacific region, the lowering of trade barriers and the

Already, Mr Howard has tumbled the government with the claim that Australia has seen just "five minutes of economic sunshine" in the current cycle, and done too little to tackle the structural deficiencies that leave the economy vulnerable to balance of payments "crises".

Commonwealth parliament election



desire to increase savings, although some differences persist on how these objectives should be reached. There is bound to be pressure from the opposition over the government's handling of the economy, and from the government over the opposition's stance on industrial relations.

Conversely, Labor has raised the spectre of wage inflation and industrial unrest should the decade-old "accord" between the government and the Australian Council of Trade Unions (under which the latter pledges a degree of wage restraint in return for social policy commitments) be aban-

doned. It has also painted a potential Howard government as being socially divisive.

But until the opposition offers a detailed policy package to the electorate and Labor chooses its targets of attack, the election battlelines cannot be fully delineated. This may not happen for several months. Mr Howard has made clear that he will not unveil any detail until very shortly before the poll. In the meantime, he is working through a series of "headland" speeches, long on nicely crafted phrases and largely devoid of substance.

From a political perspective, this strategy looks both understandable (given the extent to which his predecessor's "Right-back" manifesto was evaded by the government in the run-up to the last federal poll) and largely successful. It has kept the rapacious Canberra media focused on the government and allowed the opposition to maintain a clear five to 10 percentage point lead in the opinion polls.

But, at some stage, a more detailed policy statement will be required, and then, who knows? It is this uncertainty that convinces many pundits that the election outcome will be a lot closer than the polls currently suggest. Labor, after



Keating: plan of attack unknown

all, went into the 1993 election trailing its opponents, and subsequent market research indicated that 20-30 per cent of voters made their decision in the last few days.

If a close-run race is in sight, marginal constituencies will be critical. Already, the focus is on Queensland. Earlier this year, Queenslanders voted in state elections, and Mr Wayne Goss, generally viewed as a popular incumbent Labor pre-

mier, came within a whisker of losing control. The anti-Labor swing was 6.3 per cent. If this was repeated in the federal election, Labor would lose 10 of its 13 federal seats in the state.

(Overall, Labor holds 79 seats in the House of Representatives, compared with the opposition's 88, and two independents - and whichever party controls the House of Representatives, forms the government. Neither the ALP nor the Liberal-National coalition is likely to secure a majority in the Senate, which works on a different voting system.)

Not surprisingly - but for different reasons - both parties have been keen to play down the implications of the Queensland poll. There were some specific factors that weighed against the Goss government, including controversial road-building plans around Brisbane and ham-fisted campaigning. Moreover, the crucial allocation of preference votes is handled slightly differently in federal and state elections.

But already both party leaders have been stepping up their visits to the Sunshine state - to the point of treading on each other's heels. Asked recently if Queensland was a particular problem for Labor, Mr Keating nearly side-stepped the question: "If you don't regard everything as a problem in the run-up to an election, then there's something wrong with you," he retorted. On that score, at least, Mr Howard would probably agree.

■ Economy and trade by Peter Montagnon

## Held back by Achilles's heel

The export-led recovery will be fragile until the level of savings increases

The Australian economy had two notorious weaknesses before serious efforts at restructuring started in the late 1980s. One was its vulnerability to cycles in which periods of rapid and inflationary growth were followed by sharp retrenchment. The other was a strong propensity to import. This led to deficits on the current account balance of payments and a large accumulation of foreign debt.

Thanks to deregulation and tariff reductions, the first problem seems to have receded. Australia has enjoyed 16 consecutive quarters of economic growth without excessive pressure on wages, admittedly partly because unemployment has remained high at around 8.5 per cent. Growth is decelerating but most economists expect a soft landing. Gone, apparently, is the traumatic recession of yesterday.

The second problem looks more intractable. During the recovery Australia built up a current account deficit of nearly 6 per cent of gross domestic product. Though it is starting to decline as the economy slows, most agree that the structural deficit is too high to be sustained over the medium term, especially since the country's net foreign liabilities now amount to A\$560bn (\$122bn) or 57 per cent of GDP.

Growth in exports as the recovery has contained highlights the main reason for the payments weakness all too clearly. "Australia's balance of payments problem is caused emphatically by lack of savings, not lack of competitiveness," says Mr Don Stam-

mer, chief economist of Bain and Company. Getting savings back on track has become a medium-term policy priority.

For the time being the situation looks manageable. The turn in the cycle is starting to help. Growth slowed to 3.7 per cent in the year to June and the current account balance of payments has fallen sharply from its monthly peak of A\$3.2bn in May. The shortfall has been financed easily, with growing emphasis on inflows of direct foreign investment, which create less of a servicing burden than debt and are less volatile than portfolio flows.

Yet economists say the help-

**'The balance of payments crisis is caused emphatically by lack of savings'**

ful stage of the cycle should not be allowed to mask the continuing need for structural change. From a short-term perspective there may be little more than a dip in growth to worry about. The longer-term future is still not secure.

Currently the main concern is upward pressure on underlying inflation. Forecasters at

Macquarie Bank expect it to reach 3.5 per cent by the end of the year, which is above the central bank's target range of 2 to 3 per cent and high by the standards of other industrial countries.

Economists expect output to slow further next year. Mr Bill Shields, at Macquarie Bank forecasts real economic growth of 2.5 per cent to 3 per cent in the calendar year 1996 compared with 3.5 per cent this year. Bain's Mr Stammer believes the end to the drought in Australia and the lack of "monetary overkill" mean the economy could re-accelerate quite quickly, with growth rising back to 4 per cent next year. Much depends on whether the Japanese economy recovers, he says.

While wages may about the extent of the slowdown and the timing of any subsequent rally, most commentators accept that the new vigour of manufacturing exports has helped sustain the recovery. Australian industry learned to compete as protection was unwound, and its contribution to the trade account has increased.

Mr Steve Prytz of the Australian Manufacturers Council says that, at present growth rates, the new manufacturing exports have created room for the economy to grow around 1.5 per cent a year faster

between now and the end of the decade than would otherwise be the case. "Without these guys the shutters would have to come down a lot quicker," he says.

The snag is that this is only part of the answer to Australia's structural problem. Expanding trade in manufacturing may have created leeway for some additional imports, but it has not been sufficient to close the deficit.

There are limits to the scope of the export recovery. Australia is coming up against more trade barriers elsewhere, especially in products such as processed food where it has a natural advantage. Hence its determined push for free trade within the Asia-Pacific region.

Manufactured goods still make up only a third of total exports, with high value-added goods accounting for less than a quarter. Try as it might to diversify, Australia remains dependent on resources. Industry would find it hard to remain vigorous if there were ever another commodity boom.

For the longer term, Australia still has to tackle the root cause of its payments deficit.

"Capital flows are driving the current account, not vice versa," says Mr Richard Snape, economics professor at Monash University in Melbourne. Australia is simply not saving enough to finance its domestic investment requirements. The deficit is the counterpart of the foreign capital flows needed to make up the shortfall.

If there has been a policy weakness, it has been a failure to build up domestic savings. Personal savings rates to Australia are notoriously low - thanks, some argue, to the pervasive welfare system - and the government has been slow to tackle its own budget problems.

The latest budget provides for a small surplus, but only after asset sales of A\$5.35bn. Moreover, only about a quarter of planned budgetary savings were due to structural tightening. Australia has further to go in this area. Though the government is predicting a growing cash surplus in each of the next two years, such forecasts must be hedged to what happens in the elections.

The budget also provided for a sharp increase in pension fund contributions in the medium term. This will be partly financed by government in lieu of tax cuts, but will also require an increase in employee contributions. Having recognised the limitations on its own ability to save, the government is compelling individuals to save instead. The measure is being phased in gradually. If all goes according to plan, there should be a substantial rise in the savings rate around the turn of the century.

The great uncertainty is how the public will respond. Some fear an inflationary increase in wage demands to offset the increased payments to pension funds. Inevitably, a real increase in personal savings will mean a slippage in retail spending. The government may come under pressure to reflate the economy by relaxing its fiscal stance.

That might turn out to be the real crunch. Australian industry may have passed the competitiveness test, but the even more important national savings test is yet to come.



A branch of the big-league bank, Westpac, which recently received approval for a bid to buy Challenge Bank for A\$730m

■ Banking by Peter Montagnon

## Cash surplus drives change

Banks are spending a surfeit of capital on takeovers, technology and share repurchases

Having too much capital is less of a problem for banks than having too little. But it can still be difficult as Australian banks are finding out.

Profitability and capital ratios have improved as the excesses of the last recession work their way through. Bad debts are no longer a drag on profits, but Australia's reinvigorated banks now find themselves short of opportunities in a market that has too many banks and is vulnerable to competition from newcomers such as independent mortgage lenders.

The choices are stark. Banks must either blow their surplus capital on loss-making loans; spend it on acquisitions; or splash out on expensive technology designed to reduce costs and generate fresh income through the introduction of new products. Alternatively, they can give the cash back to shareholders.

Many institutions have chosen strategies that combine all four options. The most conspicuous effect of competition on banks this year has been a rash of takeovers in the regional banking market. A restructuring of the industry is under way. Former building societies that acquired banking licences in the deregulation of the past decade are seeking to consolidate and secure market share.

In the space of a few months, Advance Bank, headquartered in Sydney, bought BankSA in Adelaide for A\$730m (\$344m); Westpac, one of the big four, received approval to buy Challenge Bank for A\$690m; and Bank of Scotland bought Bank West from the state government of Western Australia for A\$800m.

"I suspect that Australia has more generalist banks than it can support in the long run, and that pressures for consolidation will persist," Mr

Graeme Thompson, deputy governor of the Reserve Bank, told a recent conference. "This will promote the efficiency of the banking system and should be in the long-term interests of bank customers."

The process may be painful. The attitude of the competition policy authorities is unclear. Bankers have long assumed that the government would not allow the acquisition of one of Australia's four biggest banks by another. In connection with the Westpac bid for Challenge, Professor Allan Fels, head of the Trade Practices Commission, spelled out that in his view that at least one strong

Stephen Kench, a banking analyst with ANZ McCaughan, though there will be some branch closures. Mergers and takeovers will also make investment in information technology more economic.

"Banking is all about customers, and how you service them better than your competition - and that's about technology," says Mr Don Argus of National Australia Bank. "Once you get down to that there's a huge capital spend involved, and then you come to economies of scale."

The use of more sophisticated technology is growing rapidly, he says. But he warns that there is room for error because the public may not be ready for some of the products on offer. "The big mistake bankers who are running a regional bank will make is to go out and have wholesale [branch] closures without educating their customers in the new way of delivery," he concludes.

At least bad debts are not a problem at present. With the economy apparently heading for a soft landing, there is unlikely to be the kind of shock bankers experienced in the last recession. ANZ McCaughan's Mr Kench says that the quality of new assets being booked is relatively high and likely to remain so for a couple of years.

The problem facing banks is more that of finding lending opportunities. The new non-bank mortgage companies are taking around 10 per cent of new housing loans. The banks are fighting back by offering

extra services such as credit cards and low "honeymoon rates" for the first year. But there is little doubt that margins will come under pressure.

Similarly, high quality corporate lending opportunities are expected to become scarcer as pension funds grow and a move to securitise debt gathers pace. Some of the larger banks are trying to offset this by expanding abroad.

National Australia Bank, which was the least affected by bad debts in the last recession and is therefore now the best capitalised of the big four, recently bought Michigan National in the US and announced that it is seeking further acquisitions there. The purchase is part of a strategy of running a federation of regional banks in economies where there is strong growth, the bank said.

But banks are also paying back capital. Westpac announced last month that it would seek authorisation to buy back some of its shares. Commonwealth Bank plans to do the same thing when the federal government sells its remaining stake and ANZ Bank has bought back an A\$500m issue of preference shares.

This is a sign that banks are considering alternatives to mergers in disposing of surplus capital. It is still not a priority. Paying back capital always carries some stigma for managements that fear they will be perceived as having run out of ideas. Australian banks are still keen to compete, however meagre the returns.

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مكتبة الجليل



## Swalec rejects Welsh Water's initial offer

By Peggy Hollinger

Welsh Water yesterday sharply rebuffed its bid target Swalec, following an indicative £731m offer which the regional electricity company described as "totally unacceptable".

Welsh, which said it was prepared to offer between £25p and £40p per share, is expected to return this afternoon with a higher bid after Swalec announced its interim results.

It is thought likely to pitch the latest offer at between 80p and 90p, valuing Swalec at £857m.

The offer excludes the value of the National Grid, the transmission company which is being demerged from the 12 regional electricity companies next month. The value of Swalec's grid holding is estimated at about 22p per share.

The signs last night were that Welsh's revised offer would also be unacceptable to Swalec. Mr Andrew Walker, Swalec's chief executive, said any offer would have to be "well north of 90p" to win his board's recommendation. "This thing is all about shareholder value," he said. "We believe they have got to go much higher." He also noted that, after adding back in the grid value, the indicative offer remained substantially below Swalec's closing share price of £10.88.

However, it is likely that should Swalec's board hold out for a much higher offer than 90p, Welsh will decide to launch a hostile bid.

Welsh Water is coming under strong pressure from its shareholders and the market not to overpay. The company's opening shot was welcomed by



Andrew Walker: offer would have to be 'north of 90p'

the market as having been pitched at a prudent level. "It is a slight sign that Welsh Water will not overbid," said one analyst. "But they will certainly have to come in at a higher level to win."

Institutions indicated they might be prepared to see Welsh Water increase its offer. It is believed that investors are keen on Welsh securing a recommended offer, which would allow Swalec's management to stay on.

Welsh Water's offer is likely mostly in cash with a smaller share element. It also plans to make a cash alternative available to Swalec's investors, at a discount to the cash and share offer. About 75 per cent of the offer is likely to be funded by debt, with the rest raised through a rights issue.

## Chairman's five year contract opposed

By William Lewis

Leading shareholder institutions will today vote against the re-election of one of the last remaining public company directors in the UK with a five year rolling contract.

Sir Geoffrey Leigh, chairman of Allied London Properties, has a service contract which entitles him to five years' notice. Last year he received a salary of £200,000 and would, in theory, be entitled to a pay off of £1.5m if forced out.

The contract contravenes the recommendations of both the Cadbury and Greenbury committees.

Leicester shortfall hits Leslie Wise

By Motoko Rich

Shares in Leslie Wise, the clothing company, fell 8p to 40p yesterday after the group warned that difficult trading at its Leicester operations would reduce annual profits by nearly two thirds.

It predicted pre-tax profits of about £1m for the year to November 30, down from £2.92m.

Mr John Gowers, chief executive, said orders at Ladies Pride, the garment manufacturer, and Saffron Knitting, the knitted fabric maker, were insufficient and both businesses would be loss-making. However the losses would not recur.

He added trading in the rest of the group, which accounted for 90 per cent of turnover, was going "extremely well".

TSB Hill Samuel Bank Holding Company plc (Formerly Hill Samuel Group plc) US\$75,000,000 Perpetual floating rate notes

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## Hot weather adds £500,000 as Marston rises by 14%

By James Harding

The hot weather added £500,000 to interim profits at Marston, Thompson & Eversheds, the regional brewer, according to Mr Michael Hurdle, chairman.

The Burton-based company saw pre-tax profits rise by nearly 14 per cent to £13.8m (£12.8m), in the 26 weeks to September 23. Sales rose by just over 11 per cent to £85.2m (£76.8m).

The results exceeded market expectations and the shares rose 6p to 312p.

Mr David Gordon, managing director, said that, apart from the hot weather, the improved performance was underpinned by strong growth in free trade beer volumes and increasing profits at Marston's managed houses.

"We are pretty pleased with these numbers which give a positive reflection of the state of the business," he said.

While the summer saw overall beer volumes rise by 3.4 per cent, sales of cask-conditioned ales, such as Marston's flagship Pedigree bitter, slipped by 1.8 per cent.

BANQUE NATIONALE DE PARIS  
ECU 200,000,000  
Floating Rate Notes due 1996

Notice is hereby given that the rate of interest for the period from November 30, 1995 to February 28, 1996 has been fixed at 5.375% per annum. The coupon amount due for this period is ECU 183.67 per ECU 100,000 denomination and is payable on the interest payment date February 29, 1996.

The Fiscal Agent Banque Nationale de Paris (Luxembourg) S.A.

## LEX COMMENT Tate & Lyle

Tate & Lyle's impressive 1995 results were built on a remarkably narrow base. The group's £228m investments in developing markets since 1990 generated only £4m in profits. Meanwhile, the US came spot, business, Dunsin, which, at the peak, contributed over \$70m, did well to stay in the black, against a backdrop of high cane prices and a bumper beet harvest. Staley, the US starch subsidiary, showed why Mr Larry Pillard, its president, is to be Tate's next chief executive. It now accounts for almost 40 per cent of group profits and it further boosted margins, despite recent capacity increases in the North American high fructose corn syrup industry. However, Staley will struggle to pass on the soaring cost of maize to its customers, providing the prospect of no growth in group profits, before exceptional, in the current year.

Nonetheless, the shares are trading at a 25 per cent discount to the market, based on 1996 earnings forecasts. This ignores the eventual benefits of Tate's push into emerging markets, where it is confident of achieving its target 20 per cent return on investment. Of course, Mr Stephen Brown, the last new chief executive at Tate, found it impossible to work in the shadow of Sir Neil Shaw, long time chairman, and the impact on the share price was dramatic. Mr Pillard, however, has already proved himself within the organisation, reducing the prospect of unpleasant surprises. Given Tate's consistent market outperformance, the shares could be given the benefit of the doubt.

## Float considered by Littlewoods

By Neil Buckley

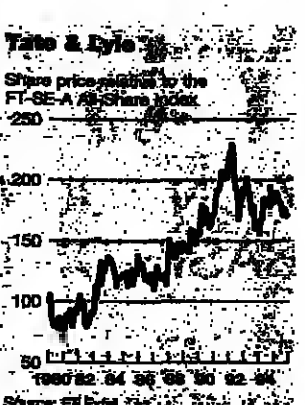
Family shareholders of Littlewoods, the retailing and pools group, have been told that their best option for realising the value of their stakes may be a partial flotation of the group.

Flotation of part of the equity would be a landmark for the UK's largest remaining family-owned company. Littlewoods has previously rejected attempts to float on the London stock exchange and is currently facing a potential £12m takeover bid from Mr Barry Dale, a former chief executive.

However, Mr Michael Gatenby, a former deputy chairman of Charterhouse Bank who is advising the company, is understood to have said that flotation might not be possible for several years, until Littlewoods' trading performance improved.

Mr Gatenby told a shareholder forum attended by most of the company's 33 shareholders over the last two days that options included taking no action in response to a takeover approach, a buy-back of shares, a break-up and full sale of the group.

Mr Gatenby told shareholders, all of whom are members of the Moore family, that they should not feel pressured into co-operating with the recent



Tate & Lyle  
Share price (pence) to the FT-SE 100 index  
1990-1995

takeover approach from Mr Dale, and his Bidco consortium. Mr Dale's request for access to Littlewoods' books to allow him to put together a formal bid was not formally discussed and support among shareholders is unclear.

But insiders believe a resolution not to co-operate with Bidco, proposed by Littlewoods' board, is likely to achieve the required simple majority at an extraordinary shareholders' meeting in Liverpool next week.

Mr Gerald Raingold, deputy chairman of Dawson Day, the investment bank advising Mr Dale, urged shareholders not to turn their back on the bid. "Shareholders can continue to study flotation, but why close off our option, which probably would produce substantially more money for them?"

Several shareholders also inquired about the offer of a share buy-back worth up to £250m if they voted against co-operating with Mr Dale, contained in a circular to shareholders last week.

Analysts suggested Littlewoods' poor trading performance would rule out a quick flotation - shareholders have been warned profits this year are likely to be below last year's £16m, on £2.72m turnover.

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Marston's has 288 managed houses and 644 tenanted. Take-home sales, which still represent less than 10 per cent of turnover, are growing fast, up 38 per cent on last year.

Earnings per share were 11.3p (9.5p). Marston's lifted the interim dividend by 42 per cent to 2.5p (1.76p), increasing the proportion of the total dividend paid at the half year, in line with other brewers.

Analysts upgraded their full-year forecasts for pre-tax profits, which are now expected at £27.5m, giving earnings per share of 22.1p and a prospective p/e of 14. After a year of underperforming the brewing sector, the shares are now at a slight discount.

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Notice is hereby given that the Rate of Interest has been fixed at 5.975% in respect of the Original Notes and 6.0625% in respect of the Enhancement Notes, and that the interest payable on the relevant Interest Payment Date December 29, 1995 against Coupon No. 121 in respect of US\$10,000 nominal of the Notes will be US\$4.13 in respect of the Original Notes and US\$4.84 in respect of the Enhancement Notes.

U.S. \$500,000,000

Subordinated Floating Rate Notes Due October 25, 2006  
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U.S. \$500,000,000

Subordinated Floating Rate Notes Due January 30, 1996  
Notice is hereby given that the Rate of Interest has been fixed at 5.975% and that the interest payable on the relevant Interest Payment Date December 29, 1995 against Coupon No. 119 in respect of US\$10,000 nominal of the Notes will be US\$4.73.

U.S. \$350,000,000

Subordinated Floating Rate Notes Due August 14, 2011  
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U.S. \$500,000,000

Subordinated Floating Rate Notes Due May 29, 1996  
Notice is hereby given that the Rate of Interest has been fixed at 6% and that the interest payable on the relevant Interest Payment Date February 29, 1996 against Coupon No. 39 in respect of US\$10,000 nominal of the Notes will be US\$1.67, and in respect of US\$250,000 nominal of the Notes will be US\$3.71.

November 30, 1995

By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

U.S. \$100,000,000



## Allied Irish Banks plc

Undated Floating Rate Notes  
Subordinated as to payment of principal and interest

Interest Rate 5.9375% per annum  
Interest Period 30th November 1995 to 31st May 1996

Interest Amount per U.S. \$10,000 Note due 31st May 1996 U.S. \$301.82

CS FIRST BOSTON Agent

ECU 2,000,000,000

Euro Medium Term Note and Euro Depositary Receipt Programme of

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Series N° 5 Banca Nazionale del Lavoro S.p.A.

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In accordance with the terms of the Series N° 5 Depositary Receipts (the "Receipts") described in the Pricing Supplement dated as of August 22, 1994, notice is hereby given that for the Interest Period from November 30, 1995 to February 29, 1996 the Receipts will carry an interest rate of 6.175% per annum.

The Interest Amount payable on the relevant Interest Payment Date, February 29, 1996 will be US\$ 15.61 per Receipt of US\$ 1,000, US\$ 156.09 per Receipt of US\$ 10,000 and US\$ 1,560.90 per Receipt of US\$ 100,000.

The Calculation Agent

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U.S. \$100,000,000

Robert Fleming Netherlands B.V.

Primary Capital Undated Guaranteed Floating Rate Notes

guaranteed by Robert Fleming Holdings Limited

Interest Rate 6.3125% per annum

Interest Period 30th November 1995 to 31st May 1996

Interest Amount due 31st May 1996 per U.S. \$10,000 Note U.S. \$ 320.89

per U.S. \$50,000 Note U.S. \$1,604.45

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Notice of Redemption Proceeds in respect of

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U.S. \$100,000,000

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Bankers Trust Company FX Agent Bank

30th November 1995

ECU 300,000,000

Caisse Française de Développement

Caisse Centrale de Coopération Economique

Floating Rate Notes due 2005

For the period from November 30, 1995 to February 29, 1996 the Notes will carry an interest rate of 6 1/8% per annum with an interest amount of ECU 238.50 per ECU 100,000 and of ECU 1294.50 per ECU 1,000,000.

The relevant interest payment date will be February 29, 1996.

Agent Banks

BANQUE PARIBAS Luxembourg

BANQUE NATIONALE DE PARIS

Programme for the issuance of Debt Instruments

US\$ 13,000,000 Floating Rate Notes due 2002

Series 23 Tranche 1

Notice is hereby given that the rate of interest for the period from November 30, 1995 to May 31, 1996 has been fixed at 6.5041% per annum. The coupon amount due for this period is USD 2,893.13 per denomination of USD 100,000 and is payable on the interest payment date May 31, 1996.

The Fiscal Agent Banque Nationale de Paris (Luxembourg) S.A.

BNP

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£75,000,000

Subordinated Floating Rate Notes due 2000

(the "Notes")

ABN AMRO Home Owner Corporate Finance Limited and UBS Limited (together, the "Arrangers") hereby jointly offer to purchase during the Offer Period (as defined below) all or any of the Notes, together (where appropriate) with all unmatured coupons appertaining thereto, at £4,900 per £5,000 Note together with an amount in respect of accrued interest to, but excluding, the Settlement Date (as defined below), amounting to £52.13 per £5,000 Note.

The offer will be open from 11.15 a.m. (London time) on Wednesday, 29th November, 1995 until 5.00 p.m. (London time) on Tuesday, 12th December, 1995 or such other period as may be notified by the Arrangers (the "Offer Period"). Settlement for all Notes purchased by the Arrangers will be by the Euroclear System or CedeL Bank, société anonyme on 20th December, 1995 (the "Settlement Date").

It is intended that all Notes purchased by the Arrangers will be sold to the Bank for settlement on the Settlement Date and the Bank has agreed to cancel all Notes so purchased.

Details of the offer will be displayed on Reuters Page COOP during the Offer Period. Holders of the Notes may accept the offer by telephone. If you wish to accept the offer please contact either of the Arrangers by telephone between 9.00 a.m. and 5.00 p.m. (London time) during the Offer Period.

After the end of the Offer Period, the Bank does not intend to call any of the Notes which have not been purchased by the Arrangers during the Offer Period. Any questions with regard to this Notice should be directed to ABN AMRO Home Owner Corporate Finance Limited, 4 Broadgate, London EC2M 2LE for the attention of Charles Lucas (Telephone: 071 374 1846; Facsimile: 071 374 1253) or to UBS Limited, 100 Liverpool Street, London EC2M 2RH for the attention of Des Cook (Telephone: 071 901 2252; Facsimile: 071 901 1439).

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U.S. \$50,000,000

RZBX AUSTRIA

Raiffeisen Zentralbank Österreich Aktiengesellschaft

Floating Rate Subordinated Notes Due 1996

Interest Rate 5.8125% per annum

Interest Period 30th November 1995 to 31st May 1996

Interest Amount per U.S. \$5,000 Note due 31st May 1996 U.S. \$147.73

CS FIRST BOSTON Agent

U.S. \$250,000,000

BANK OF BOSTON CORPORATION

Subordinated Floating Rate Notes Due 2001

Issued 10th February 1995

Interest Rate 6% per annum

Interest Period 30th November 1995 to 29th February 1996

Interest Amount per U.S. \$50,000 Note due 29th February 1996 U.S. \$768.33

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## 4 AUSTRALIA

■ Iron ores by Bruce Jacques

## In sight of the Pilbara dream

One of the country's biggest success stories is about to take a new direction

Few industries epitomise Australia's post-war economic development better than iron ore. In the racing parlance that is so much a part of the Australian vernacular, iron ore has scored the trifecta, or triple victory.

It has developed one of the country's most remote areas, the rugged Pilbara region in Western Australia; it has produced a key commodity export in a resource-dependent economy; and it has underwritten Australia's most important contemporary trading relationship - that with Japan.

The iron ore industry is poised to embark on its next important phase. Again central to the country's wider economic prospects, this will be a move into downstream processing.

Apart from answering the critics who say with some justification that Australia has been too content to remain a low value-added quarry for the world's more profitable industrial conglomerates, the move will realise a 30-year-old dream of the Pilbara pioneers.

It has been a long haul for the industry since the war-time atmosphere of the late 1930s prompted the Australian government to place an embargo on iron ore exports

The country is the world's fourth largest iron ore producer

for strategic reasons.

The embargo was not lifted until 1961, despite important iron ore discoveries in the Pilbara in the 1950s. After this date, development of the raw material-hungry Japanese steel industry quickly underwrote several big Pilbara projects. These included the Hamersley complex, controlled by CRA, Mount Newman, controlled by BHP, and Robe River, run by North Ltd.

In 1994-1995 these three mines exported over 129m tonnes of iron ore and associated products worth A\$2.5bn (£1.17bn). The Australian Government's commodity analysis arm, ABARE, has predicted exports of more than 134m tonnes in the current year, lifting revenue above A\$3bn for the first time.

That would rank iron ore as Australia's fourth largest commodity export after coal, gold and wool. It also makes the industry the world's fourth largest iron ore producer after China, the former Soviet Union and Brazil.

Iron ore is vital to Australia's industrial fortunes. It is the base load that underwrites export growth to Japan and the more rapidly expanding economies of China, South Korea and Taiwan.

ABARE forecasts strong steel output growth in these countries for the rest of the decade. This could lift world iron ore production by 3 per cent to 985m tonnes in the calendar 1995, then to 1005 tonnes next year.

It is this method of this world steel output expansion as much as its scale that has drawn interest from the Pilbara miners. A large proportion of the Asian steel capacity expansion has been made possible by new technology.

The direct reduction

approach, with a range of proprietary technologies, is being developed rapidly in several Asian countries. The emerging ascendancy of this approach, which has cost and environmental benefits, is finally providing one of the market opportunities envisaged when Pilbara was first developed.

The earliest mining agreements with the Western Australian government contained clauses that obliged the developers to commit to downstream processing operations as a condition of gaining mining approval.

These agreements envisaged the establishment of an integrated steel industry in Western Australia by 1995. Although the three Pilbara companies look like falling short of that target, there is now a number of proposals for the next best option for the state's economic development.

The highest profile plan is a proposal by BHP to spend up to A\$1.5bn on a 2m-tonnes-a-year hot briquetted iron facility (HBI) to convert ore fines into direct reduced granules with 90 per cent iron content.

The Western Australian premier, Mr Richard Court, bracketed the BHP proposal with discovery of gold at Kalgoorlie as "a watershed" for the state's economy.

In a statement earlier this year, he said that the BHP plan could lift the market value of iron ore four-fold and was an important step towards the state's target of processing 20 per cent of the state's iron ore by 2000.

BHP is not the only company considering investments of this type. Several big consortia have announced proposals for similar downstream processing ventures.

They include a A\$1bn plan by Australian United Steel Industry for a pellet plant and a 3m-tonnes-a-year HBI plant, with commissioning possible by mid-1998. Former CRA executives Sir Roderick Carnegie and Sir Russell Madigan are behind this consortium as is the former Australian ambassador to the People's Republic of China, Professor Ross Garnaut.

Other proposals have come from a little-known Queensland company, Mineralogy, for an HBI project, another from Japan's Mitsubishi Corporation for an iron carbide plant and a third from a consortium called Asia Iron, also for an HBI facility.

CRA itself is travelling a slightly different route. A CRA research and demonstration facility south of Perth is examining commercialisation possibilities for its direct reduction process, initially developed jointly with the Klöckner group of Germany.

The rush of enthusiasm for new development ends a virtual hiatus that started in the 1960s. It reflects much more than changes in technology. It is also the result of cuts in the most important cost factors for operators in the Pilbara.

Gas prices in the region have almost halved during 1995 following deregulation of the state's energy market. A new era of industrial relations has emerged with an enterprise bargaining approach replacing the previously adversarial collective bargaining environment.

Economic development of the region has reduced construction costs. These were previously estimated at a premium of 50 per cent to capital city rates. The current premium is around 15 per cent. And the Pilbara also claims cheap sea freight rates to Asian markets, around \$US20 a tonne, half the cost incurred by South American exporters.

■ The wine industry by Emilia Tagaza

## Big step on export road

Underfunding and inclement weather mean targets for overseas trade are being revised

The Australian wine industry has wedged one foot in the door of the international market. To do this, it has had to fight off its old image as a supplier of inferior plonk.

A spectacular rise in exports from negligible levels in the mid-1980s to around 2 per cent of the world export market's value last year confirms the battle has been won.

Wine makers now aim to increase this share to 5 per cent by 2010. On the way they will learn some lessons about the dangers of rapid expansion.

The industry launched its first formal target last year, after eight successive years of strong export growth. Exports grew twelve-fold during the period, rising from 10m litres in 1986 to 131m litres last year. Annual export growth during the period was a staggering 37 per cent. Export income last financial year reached A\$360m (US\$266m).

The success can be attributed to the belief that wine making is more of a science than an art. Rejecting the traditional European idea that the fruit and the earth need to be nurtured by hand, the Australian wine industry is one of the most mechanised in the world, investing nearly A\$4m a year on basic research alone.

The resulting efficiencies allow wine makers to produce premium wines at competitive prices.

Australia now exports its wine making equipment and wine makers - even to France.

Last year, the industry set an ambitious export revenue target of A\$1bn (US\$740m) by 2000, a move that excited the active wine sector of the Australian stock market. It was an

intrepid step, considering the massive new plantings required to ensure an adequate grape supply, not to mention the variations in Australia's weather.

The problem with meeting the required hectareage is largely financial. Trading banks, the traditional funding source for grape growers, are not as excited about export opportunities as their clients.

They are recovering from severe blows inflicted by agricultural loans that went bad in the past five years. The capital market tends to ignore vineyard investment, which takes at least four years to yield a return.

Mr Bruce McDougall, business development manager of Sonthorpe Wines, Australia's largest wine company, says much of the funds raised in the public listings of the past few

Wines, floated last year by the Orlando Wyndham group. A substantial portion of Simeon's annual crush of 45,000 tonnes of grapes will be used for making Orlando Wyndham's most well-known Australian wines overseas.

It did not take very long for the industry to realise that the A\$1bn export revenue target for 2000 could not be achieved. The Australian dollar has maintained its strength against the currencies of its main wine markets.

A greater limitation has been an inadequate supply of grapes. Not enough new vines had been planted early enough. The prolonged drought has continued. The worst frost for 49 years recently damaged large vineyards along the Murray River, which flows along the border of the state of Victoria.

Australian wine exports - 1994	
Country	A\$bn
UK	173.3
US	56.1
New Zealand	34.7
Canada	21.9
Sweden	20.5
Ireland	11.1
Japan	9.0
Germany	8.1
Netherlands	5.7
Switzerland	4.3
Hong Kong	4.2
Singapore	3.3
Norway	3.0
Other	22.8
Total	374.0

Source: Australian Bureau of Statistics, CS First Edition

years have been used for the expansion of processing and marketing facilities.

"Unless vineyard investment is associated with some form of short-term, high-turnover, value-adding activity, it is unlikely to satisfy the short-term yield requirements of many investors," he says.

The only listing made specifically to raise cash for vineyard expansion was that of Simeon

and then through South Australia. The area supplies a third of wine makers' grape requirements.

The industry has reduced its export revenue target to A\$750m by 2000, assuming current export prices. This represents sales of around 250m litres, an increase of 120m litres from last year's export volume, and a 92 per cent increase in five years.

■ Sydney and Melbourne by Emilia Tagaza

## Company strategy transcends city rivalry

While old enmities endure, businesses aim to compete with the world - not each other

Last month the three tenors - Luciano Pavarotti, Plácido Domingo and José Carreras - told Australian TV news viewers via satellite from London that they would sing at the Melbourne Cricket Ground in March 1997 as part of a world tour. In front of a giant screen in Melbourne, Mr Jeff Kennett, the provocative premier of the state of Victoria, grinned ecstatically and blurted: "This is an absolute coup for Melbourne and the whole of Victoria."

Mr Kennett's antics, and his conservative government's accomplishments, have succeeded in putting Melbourne back in the ring with Sydney to resume the traditionally lively rivalry between the two cities. The competition was swept under the carpet when a savage recession hit Australia in the late 1980s. This forced state governments to focus more on economic survival than on self-promotion.

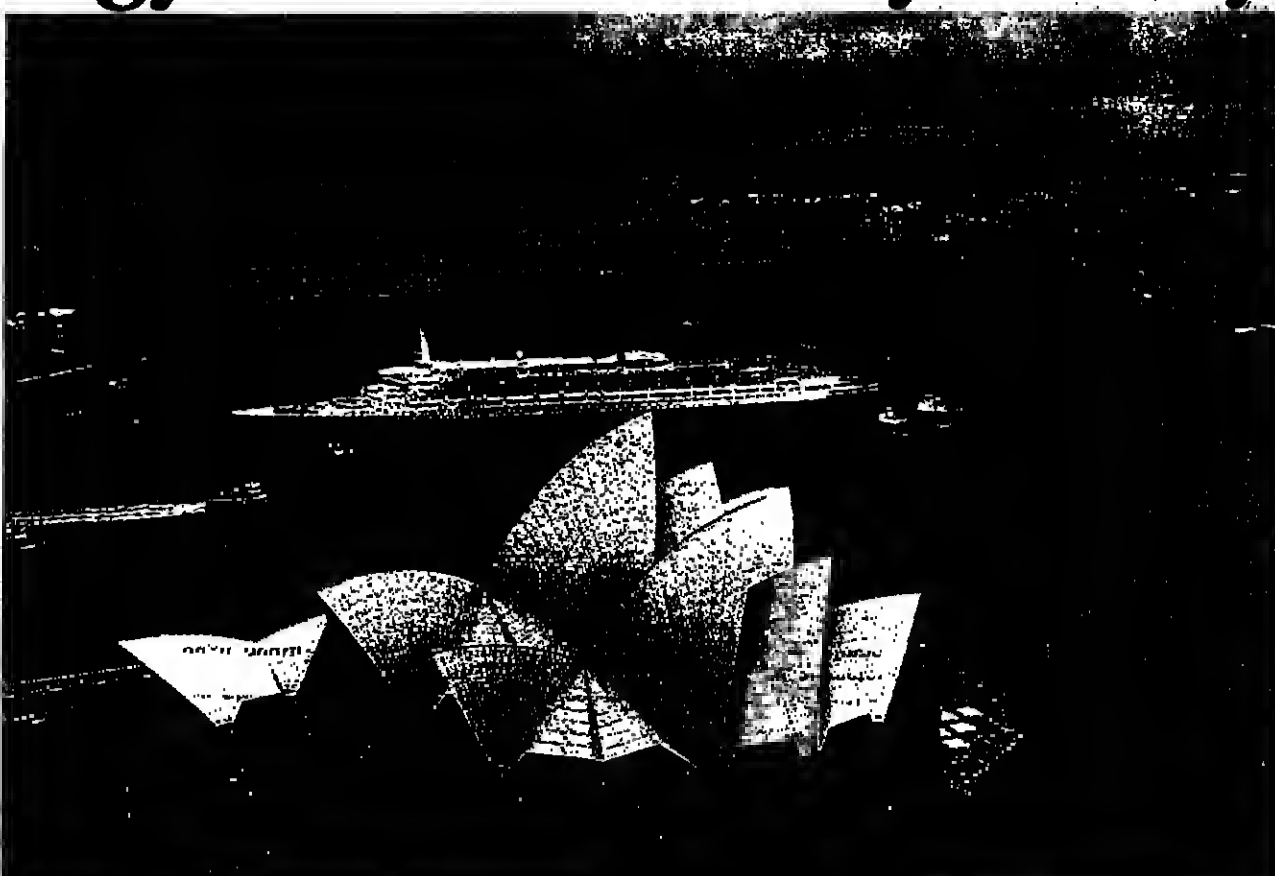
Melbourne's drum-beating is attributed to radical micro-economic reforms and tough fiscal reconstruction introduced by Mr Kennett's government as soon as it was elected in 1992. Its boldest moves were to abolish all state industrial awards and introduce tough new penalties for illegal strikes. The public service was cut back, hundreds of state schools were

closed down and public assets were sold off to retire massive debts.

Having put the state's economic affairs on a more stable footing, Mr Kennett has turned his attention to more mundane matters. He has speeded up a casino project that faltered under the state's previous Labor government; poached the contract to host the Formula One Grand Prix from Adelaide; and won for Melbourne the privilege of staging the Broadway musical *Sunset Boulevard* and the concert by the three tenors.

Australia's gateway capital Sydney, 800km north of Melbourne, has always enjoyed privileges that make it the country's leading city. Sydney has the biggest international airport and large business districts overlooking one of the world's most beautiful harbours. These factors, combined with a big banking and finance sector, make it the favoured destination of overseas companies and foreign investors.

The city's gateway position has provided the state of New South Wales with a cushion against the recession. In an ironic twist, the recession-driven fall in property prices, especially for commercial property and executive homes, has lured multinationals to relocate their regional headquarters to Sydney. It was chosen by nearly 70 per cent of the 134 foreign companies that set up their regional offices in Australia since 1988. A large proportion



Sydney may have the opera house, but Melbourne will have the three tenors when they sing from the cricket ground in 1997

Glyn Goss

of these were telecommunications companies and financial institutions, including Vodafone, ANZ, Ebside, Telecom and American Express, strengthening Sydney's claim to be Australia's information and financial capital.

While Victoria is grounded in manufacturing, New South Wales relies more on the services sector, which was less ravaged by the recession. Services account for 80 per cent of the NSW economy and 36 per cent of the state's total exports.

As both states emerge from the recession, the two cities are making claim and counter claim about which state capital has the most to offer to business. Both boast that they house more of Australia's top corporations. Both are correct. Depending on the benchmark used, Melbourne has 10 of the 30 largest companies by market capitalisation. Sydney has half of the top 500 Australian and New Zealand companies by revenue. And it prides itself on being home to the head offices of 32 of the 42 banks operating in Australia.

Mr Laurie Cox, former chairman of the Australian Stock Exchange, believes it is healthy to have two competing financial centres as it ensures that services will continually improve. He thinks financial services business has drifted more to Sydney during the past few years. This is partly because takeovers among insurance companies have resulted in some operations

moving northwards. Sydney is thus dominant in institutional asset management, but corporate finance is still split equally with Melbourne.

"Melbourne will be reasserting itself because the Victorian government's reforms have pushed the economy forward in leaps and bounds," Mr Cox

says.

Although Sydney's business community beats Melbourne's in its size and relative importance, businesspeople in both cities see arguments over commercial dominance as irrelevant. Companies are thinking on a more global level and are preoccupied with generating more business from overseas than from local markets.

Some big banks maintain that they no longer identify clients as either Sydney or Melbourne companies, but as domestic and offshore ones. The National Australia Bank (NAB) derives nearly half of its total income from overseas business while the figure is 32 per cent for ANZ Bank.

NAB's Mr Hayden Park says that the rivalry between Sydney and Melbourne remains a cultural exercise that will continue as long as each city plays football to different rules and runs races in different directions, clockwise in Sydney and anti-clockwise in Melbourne.

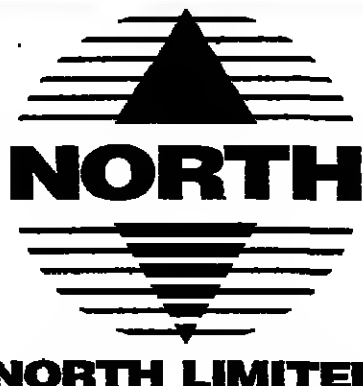
The rivalry can be traced back to gold discoveries in Victoria in the 1850s which brought immense wealth and an influx of population. Melbourne was quickly transformed into a big financial centre, stealing the limelight from Sydney, which had a head start as the first colony.

The vast wealth that had flowed on to subsequent generations has shaped Melbourne's reputation as a conservative, genteel city run by the establishment's old money. Sydney's population had to struggle through the gold rush, surviving by cunning and guile. Today Sydney is less conscious of class than Melbourne. Old money co-exists happily with the fast buck while brashness and hedonism are tolerated.

Mr Peter Bradfield, a Sydney-based management consultant with big clients in both cities, believes that the different historical paths have had an impact on the way business decisions are made. Melbourne businesses are likely to be more circumspect and thus take longer to plan and settle strategy, he says. Sydney companies are less risk-averse and quicker to make decisions.

"Understanding this dynamic of decision is crucial to drawing up strategies for dealing with businesses in both cities," Mr Bradfield says.

Victoria relies on industry; New South Wales on the services sector



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# Fischler seeks 'middle way' through EU meat hormone controversy

By Alison Maitland

Polishing the European Union ban on hormones in meat is costly and can have "serious consequences", Mr Franz Fischler, EU agriculture commissioner, said yesterday.

Mr Fischler was addressing the first day of a scientific conference in Brussels convened by the European Commission to try to break the deadlock over the ban on using growth-promoting hormones in livestock farming and importing meat treated with hormones.

There are suspicions that the murder of a veterinarian in Belgium earlier this year was linked to black market production and trade in growth-promoters.

"Control over the field are exposed regularly to threats and violence," said Mr Fischler. "Convicted users of illegal substances are rightly sent to jail and have to pay heavy

fines. Consumers have become ill from eating the produce of animals treated with dangerous substances, though thanks to our controls this is a rare occurrence."

Mr Fischler said such incidents made it essential that incontrovertible scientific advice on hormones should be available to enable EU policymakers to safeguard consumers' health and control illegal use of dangerous hormones.

The EU is under pressure from the US, which has threatened to challenge the ban through the World Trade Organisation on the grounds that it restricts trade unfairly.

Pharmaceutical companies oppose the ban on the grounds that the EU's list of prohibited drugs includes some that passed licensing procedures in several European countries before the ban and are used in the US, Canada, Australia, New Zealand, Latin America and Africa.

Consumer groups want the ban to stay. BEUC, the European consumers' organisation, said yesterday, "Consumers do not want artificial substances to be used in agricultural production if they are not necessary or if they do not offer any benefits to consumers. The use of hormones in meat provides no benefit for consumers."

Mr Fischler said decisions on the ban should be based on scientific evidence, but could not ignore consumer concerns.

He called for a middle way to be found between those who regarded consumer worries as irrational and those who insisted, without evidence, that growth promoters were "an unacceptable interference with life".

The conference involves more than 80 international scientists, presided over by Sir John Medley, editor of *Nature*, the authoritative scientific journal. It is due to report its findings tomorrow.

# Ok Tedi compensation Bill tabled in Papua New Guinea parliament

By Nikki Tait in Sydney

Legislation, designed to settle the compensation row between Papua New Guinea landowners and Australia's Broken Hill Proprietary over its Ok Tedi copper-gold mine was introduced into the PNG parliament yesterday.

The legislation, which is designed to prevent further liability claims being pursued in the Australian courts, provides for the implementation of a controversial \$100m (US\$60m) compensation package agreed between BHP and the PNG government earlier this year. This payment, to be spread over 15 years, represents an attempt to resolve landowners'

claims that mine waste pumped into the local river system had devastated their livelihoods.

The original legislation to implement this package was criticised because it imposed financial penalties on anyone who chose to pursue separate legal action. As some landowners had already begun a multi-billion dollar liability claim against BHP in the Melbourne courts, the Bill was seen as a back-door means of aborting this action.

However, under the rerafted legislation local claimants will be given six months in which to decide whether to accept the package being offered, or whether to

negotiate their claims directly with the company, with rights of access to the PNG courts. The existing liability action launched against BHP in the Victorian courts will also be able to proceed.

Nevertheless, according to Mr John Gibbons, PNG's mining minister, if landowners win compensation under the PNG mining act procedures or through the current Australian legal action, these amounts will be deducted from the general compensation offer.

Separately, Melbourne courts yesterday declined to grant an injunction, sought by the landowners' lawyers, preventing BHP from consenting to the revised arrangements.

# Philippines nickel complex to be rehabilitated

By Kenneth Gooding, Mining Correspondent, in Manila

Nonoc nickel complex in the Philippines, which closed in March 1986 because of low metal prices and high debts, is to be bought by a consortium and rehabilitated at a cost of at least US\$400m.

Mr Gonzalo Santos, chief executive trustee of the Philippines' Asset Privatisation Trust said yesterday the consortium using the name Pacific Nickel - included a Hong Kong affiliate of National Westminster Bank of the UK and the Minproc mining engineering group of Australia as well as private UK investors.

Minproc engineers are at

present on Nonoc island completing a due diligence operation. Mr Santos said the consortium had been given at least three months to complete this task. Subject to the outcome of the due diligence exercise, the consortium will pay the APT US\$38m for the Nonoc assets. It has also committed to spending another \$67.5m to rehabilitate the mine and refinery complex. The APT has also given approval for the consortium to raise a further \$250m in debt, which Mr Santos said might also be spent on rehabilitation work.

He suggested that, judging by past experience, Nonoc might employ 3,000 people but it would take two to three

years for production to be restarted.

According to the APT, Nonoc, mining low grade nickel laterite deposits, had the capacity to produce 65,000 lb of nickel metal a year plus 6.5m lb of nickel sulphides and 3.5m lb of cobalt sulphides. It still has reserves of 61.5m tonnes of ore in its 25,000 hectare concession areas, containing 1.23 per cent nickel and 0.08 per cent cobalt.

This is not the first time Nonoc has been close to being sold and there have been announcements to that effect. But buyers have always dropped out at a late stage. However, Mr Santos insisted: "This is the closest so far we

have been to getting the plant back into operation". A cabinet committee has already approved the terms.

One big obstacle in the past to a sale has been demands by the previous owners, Mr Jesus Cabarrus and his family, for settlement of loans made to Nonoc. Mr Santos said that as part of the deal the Pacific consortium had agreed terms with the Cabarrus family, so this was no longer a problem.

The APT was set up to dispose of assets, both physical and financial, held by government-owned financial institutions, assets usually first obtained as a result of defaults on loan arrangements. Mr Santos, who took over 18 months

ago, described Nonoc as the APT's biggest asset and also its biggest headache. "It is a huge complex and it is difficult to guard. It costs a lot to guard and maintain." The APT had security forces of more than 10 at the site.

Among the other main assets the APT has on offer are Baguacay Mines, a copper gold operation; Batun Buay Mines copper mine and mill; Nuri Davao Mining, which has copper and gold projects; and the Hercules Minerals' Bull-Bueno copper project. Mr Santos said several companies, mostly Australian, had expressed interest in each of these assets and he hoped to sell them all within 12 months.

# Indian tea industry happy with smaller crop

## Higher auction prices are compensating for lower production, writes Kumal Bose

India, the world's largest producer of tea, is likely to finish the current season (January to December) with a crop of about 730m kg, compared with last year's 745.8m.

In the nine months to September, 632.7m kg was picked, down 31m from the same period last year. In September, however, there was a recovery of 2.1m kg to 99.8m and industry officials believe that in the final quarter, the tea estates in the north and south will be picking more leaves than they did a year earlier.

"However, the last thing that we want to happen is the gardens resorting to indiscriminate plucking to chase volume," says Mr S.N. Somani, president of Jayshree Tea, a leading tea group. "The industry suffered badly last year as a record volume of end season production of inferior quality tea in 1994 caused a sharp fall in prices." The average Indian tea price fell by 17 per cent to Rs40.61 (\$1.33) a kilogram in 1994.

It is only since August that there has been a sustained recovery. The present average price of Assam CTC (cut, tear and curl) leaf tea is nearly

Rs80 (\$1.67) a kilogram, up almost Rs10 from a year ago.

Mr P.K. Sen, chairman of J. Thomas, the world's largest tea broking firm, believes there will be a "further hardening of tea prices".

"I think the market will remain buoyant till at least the middle of 1996," he says. "The current season's production will be between 725m and 730m kg. However, the Indian tea is meeting with better export enquiries and there is a regular growth in the domestic demand for the beverage. As a result, not much tea is going to be carried forward to the next season." Mr Sen's prognosis assumes, however, that Indian producers will not yield to the temptation of harvesting a disproportionately large crop in the remainder of the year December in search of short-term gains.

India had exported 111.45m kg tea up to September, compared with against 85.56m kg the same period of 1994. The Commonwealth of Independent States, traditionally the principal export destination for our tea, has stepped up the purchase of Indian tea in the current season," says Mr Sen. "We are also selling more tea to the

eastern European countries, particularly Poland. The German off-take of good quality Indian tea has risen. The general expectation is that Indian tea export in the current season will be over 160m kg, compared with 148.5m kg in 1994."

Traders say the UK, which has had an oversupply of Kenyan tea, has emerged as a strong buyer of Indian tea since August. At the London auction Assam teas are commanding an average price of 105p a kilogram, with the very best lines fetching more than 25p. Besides the quality factor, a depreciation in the value of the rupee has helped the cause of Indian tea exports.

Meanwhile, the Indian Tea Board's search for new markets has started to pay dividends. Syria, a fairly large tea consuming country, which buys chiefly from Sri Lanka, could become an important destination for Indian tea. The board also believes that Indian tea could find a market in Israel where consumption is at present around 2.5m kg.

At 158.8m kg, the Kenyan tea crop is up by a whopping 35.9m kg. However, there has been an

erosion in its quality. According to traders, the sharp fall in auction prices in Mombasa and London is due to excessive offerings of average and below average quality Kenyan tea. While Sri Lanka and Malawi have maintained their crops at about last year's levels, Bangladesh is growing less tea this season.

The setback in the Indian crop has been due to the lateness of the monsoon, followed by uneven distribution of rain in the tea growing centres. Even then, the quality of the crop is said to be generally satisfactory. Because of the high premium available on quality tea in the domestic market, more and more tea companies have seen the virtue of making adequate investment in garden maintenance, including rejuvenation and replanting of the ageing bushes.

Of the nearly 81m kg decline in tea production up to September, the share of the Assam gardens is put at 21.22m kg. Assam's production amounted to 280m kg compared with 301.2m kg in the same period of 1994. The West Bengal production is down to 114m kg from 123.18m.

Bad weather meanwhile

restricted production in Darjeeling to 7.96m kg, against 9.2m. As the winter sets in early in the hills of Darjeeling where the world's finest and most expensive tea is grown, the current season's crop there will fall far short of last year's 10.75m kg. As a result, the average Calcutta auction price for Darjeeling tea has already risen by about Rs25 a kg.

In the south, Tamil Nadu has harvested 85.53m kg, against 94m. Karnataka is marginally ahead with 3.2m kg. However, Kerala's crop of 45.83m kg shows a shortfall of a little over 2m.

Interestingly, with the foreign buyers once again becoming active, the shift in Indian production from orthodox to CTC tea (cut, tear and curl - the type familiar to British consumers) has been arrested.

The disintegration of the Soviet Union, which used to import well over 100m kg of tea from India, much of it orthodox, forced many gardens to make larger quantities of CTC tea. Domestic consumers are not ready to pay the premium for orthodox leaf tea. In the first nine months' production shortfall, the share of CTC tea was 28m kg.

## COMMODITIES PRICES

### BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)				
ALUMINIUM, 99.99% (5 tonnes)				
Close	1655.5-5.5	1655-4		
Previous	1655-4	1655-4		
High/Low	1655-4	1655-4		
AM Official	1655-4	1655-4		
Karb close	1655-4	1655-4		
Open Int.	225.258			
Total daily turnover	41,733			
ALUMINIUM ALLOY (5 tonnes)				
Close	1400-10	1400-5		
Previous	1400-10	1400-5		
High/Low	1400-10	1400-5		
AM Official	1400-10	1400-5		
Karb close	1400-10	1400-5		
Open Int.	4.534			
Total daily turnover	1,037			
LEAD (5 tonnes)				
Close	752-4	751-2		
Previous	752-4	751-2		
High/Low	752-4	751-2		
AM Official	752-4	751-2		
Karb close	752-4	751-2		
Open Int.	51,091			
Total daily turnover	10,144			
ZINC (5 tonnes)				
Close	635-5	635-5		
Previous	635-5	635-5		
High/Low	635-5	635-5		
AM Official	635-5	635-5		
Karb close	635-5	635-5		
Open Int.	42,821			
Total daily turnover	21,816			
TIN (5 tonnes)				
Close	6345-55	6345-55		
Previous	6345-55	6345-55		
High/Low	6345-55	6345-55		
AM Official	6345-55	6345-55		
Karb close	6345-55	6345-55		
Open Int.	17,077			
Total daily turnover	21,816			

### Precious Metals continued

GOLD COMEX (100 Troy oz; 5 tonnes)				
Dec	367.8	-0.1	368.0	367.8
Nov	368.2	+0.1	368.3	368.0
Oct	368.3	+0.3	368.2	368.0
Sept	368.3	+0.3	368.2	368.0
Aug	368.3	+0.3	368.2	368.0
July	368.3	+0.3	368.2	368.0
June	368.3	+0.3	368.2	368.0
May	368.3	+0.3	368.2	368.0
April	368.3	+0.3	368.2	368.0
March	368.3	+0.3	368.2	368.0
Feb	368.3	+0.3	368.2	368.0
Jan	368.3	+0.3	368.2	368.0
Total	127,488,188,937			
PLATINUM NYMEX (50 Troy oz; 5 tonnes)				
Dec	414.4	-0.1	414.5	414.4
Nov	414.4	-0.1	414.5	414.4
Oct	414.4	-0.1	414.5	414.4
Sept	414.4	-0.1	414.5	414.4
Aug	414.4	-0.1	414.5	414.4
July	414.4	-0.1	414.5	414.4
June	414.4	-0.1	414.5	414.4
May	414.4	-0.1	414.5	414.4
April	414.4	-0.1	414.5	414.4
March	414.4	-0.1	414.5	414.4
Feb	414.4	-0.1	414.5	414.4
Jan	414.4	-0.1	414.5	414.4
Total	2,491,28,938			
PALLADIUM NYMEX (100 Troy oz; 5 tonnes)				
Dec	132.0	-0.1	132.0	132.0
Nov	132.0	-0.1	132.0	132.0
Oct	132.0	-0.1	132.0	132.0
Sept	132.0	-0.1	132.0	132.0
Aug	132.0	-0.1	132.0	132.0
July	132.0	-0.1	132.0	132.0
June	132.0	-0.1	132.0	132.0
May	132.0	-0.1	132.0	132.0
April	132.0	-0.1	132.0	132.0
March	132.0	-0.1	132.0	132.0
Feb	132.0	-0.1	132.0	132.0
Jan	132.0	-0.1	132.0	132.0
Total	1,181,538			
SILVER COMEX (50,000 Troy oz; 5 tonnes)				
Dec	612.8	-0.1	612.9	612.8
Nov	612.8	-0.1	612.9	612.8
Oct	612.8	-0.1	612.9	612.8
Sept	612.8	-0.1	612.9	612.8
Aug	612.8	-0.1	612.9	612.8
July	612.8	-0.1	612.9	612.8
June	612.8	-0.1	612.9	612.8
May	612.8	-0.1	612.9	612.8
April	612.8	-0.1	612.9	612.8
March	612.8	-0.1	612.9	612.8
Feb	612.8	-0.1	612.9	612.8
Jan	612.8	-0.1	612.9	612.8
Total	45,163,982,938			

### GRAINS AND OIL SEEDS

WHEAT LCE (5 tonnes)				
Dec	128.30	-0.10	128.30	128.30
Nov	128.30	-0.10	128.30	128.30
Oct	128.30	-0.10	128.30	128.30
Sept	128.30	-0.10	128.30	128.30
Aug	128.30	-0.10	128.30	128.30
July	128.30	-0.10	128.30	128.30
June	128.30	-0.10	128.30	128.30
May	128.30	-0.10	128.30	128.30
April	128.30	-0.10	128.30	128.30
March	128.30	-0.10	128.30	128.30
Feb	128.30	-0.10	128.30	128.30
Jan	128.30	-0.10	128.30	128.30
Total	118.15	-0.10	118.15	118.15
WHEAT CME (5,000 bushels)				
Dec	591.00	-0.50	591.50	591.00
Nov	591.00	-0.50	591.50	591.00
Oct	591.00	-0.50	591.50	591.00
Sept	591.00	-0.50	591.50	591.00
Aug	591.00	-0.50	591.50	591.00
July	591.00	-0.50	591.50	591.00
June	591.00	-0.50	591.50	591.00
May	591.00	-0.50	591.50	591.00
April	591.00	-0.50	591.50	591.00
March	591.00	-0.50	591.50	591.00
Feb	591.00	-0.50	591.50	591.00
Jan	591.00	-0.50	591.50	591.00
Total	426.00	-0.50	426.50	426.00
MAIZE CME (5,000 bushels)				
Dec	327.75	-0.25	328.00	327.75
Nov	327.75	-0.25	328.00	327.75
Oct	327.75	-0.25	328.00	327.75
Sept	327.75	-0.25	328.00	327.75
Aug	327.75	-0.25	328.00	327.75
July	327.75	-0.25	328.00	327.75
June	327.75	-0.25	328.00	327.75
May	327.75	-0.25	328.00	327.75
April	327.75	-0.25	328.00	327.75
March	327.75	-0.25	328.00	327.75
Feb	327.75	-0.25	328.00	327.75
Jan	327.75	-0.25	328.00	327.75
Total	279.00	-0.25	279.25	279.00
BARLEY LCE (5 tonnes)				
Dec	118.45	-0.05	118.50	118.45
Nov	118.45	-0.05	118.50	118.45
Oct	118.45	-0.05	118.50	118.45
Sept	118.45	-0.05	118.50	118.45
Aug	118.45	-0.05	118.50	118.45
July	118.45	-0.05	118.50	118.45
June	118.45	-0.05	118.50	118.45
May	118.45	-0.05	118.50	118.45
April	118.45	-0.05	118.50	118.45
March	118.45	-0.05	118.50	118.45
Feb	118.45	-0.05	118.50	118.45
Jan	118.45	-0.05	118.50	118.45
Total	110.25	-0.05	110.30	110.25
SOYABEAN CME (5,000 bushels)				
Dec	994.00	-0.50	994.50	994.00
Nov	994.00	-0.50	994.50	994.00
Oct	994.00	-0.50	994.50	994.00
Sept	994.00	-0.50	994.50	994.00
Aug	994.00	-0.50	994.50	994.00
July	994.00	-0.50	994.50	994.00
June	994.00	-0.50	994.50	994.00
May	994.00	-0.50	994.50	994.00
April	994.00	-0.50	994.50	994.00
March	994.00	-0.50	994.50	994.00
Feb	994.00	-0.50	994.50	994.00
Jan	994.00	-0.50	994.50	994.00
Total	994.00	-0.50	994.50	994.00

### SOFTS

COFFEE LCE (5 tonnes)		
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## INTERNATIONAL COMPANIES AND FINANCE

## Nedlloyd tumbles in third quarter

By Ronald van de Krol  
in Amsterdam

Nedlloyd, the Dutch transport group, yesterday reported a sharp drop in third-quarter net profits and revealed "serious irregularities" in its Austrian road-haulage operations that will lead to an "important" exceptional charge in the fourth quarter.

The company, whose shares have been under pressure since it issued a warning in October of substantially lower 1995 profits, also said it now expected full-year net results before extraordinary items to be only half the F1107m (\$66.63m) posted in 1994. In the summer, Nedlloyd had confidently predicted that full-year results would at least equal those of 1994. The shares fell F1.70, or nearly 5 per cent, to F134.70.

even though the results were announced just before close of trading.

Earlier expectations of F1107m in extraordinary gains, generated by sales of ships and other tangible assets, have also been scaled back. Partly because of the Austrian setback, extraordinary gains will be substantially lower than the F188m achieved in the first nine months of 1995. Earnings per share before extraordinary items in the third quarter were F12.58, compared with F11.92 in the same quarter last year.

Third-quarter net profits fell from F143m a year earlier to F123m, roughly in the middle of analysts' range of forecasts. "The disappointing result primarily reflects developments in the ocean-shipping sector," the Rotterdam-based company

said. Currency factors, particularly the decline of the dollar, exerted a negative influence of F136m in the quarter.

Total net profit rose from F143m in the third quarter a year ago, when there were no exceptional items, to F153m. The increase was made possible by F130m in book profits on the sale of roll-on/roll-off vessels.

Turnover increased 4 per cent to F11.72bn but would have been up 15 per cent excluding currency movements and divestments.

Nedlloyd said it was still investigating the irregularities uncovered at Nedlloyd Road Cargo in Austria in recent weeks. "Management has been sacked and interim managers have been put in place," it said. The company would give no details of the problems,

referring only to a "combination of factors" including improper financial reporting. The irregularities went back "several years," it added.

In shipping, operating results swung from a profit of F124m a year ago to a loss of F18m in the quarter. Besides the dollar, the currency in which cargo rates are most commonly denominated, the other main factor was an increase in operating costs caused by delays and congestion in various ports around the world.

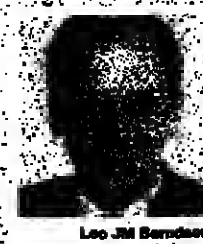
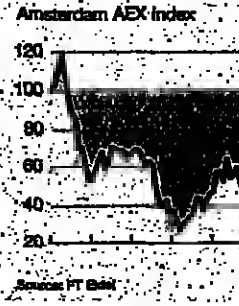
At the same time, the volume of cargo traffic on two services launched earlier this year - a second sailing between Europe and the east Asia and a sailing between Asia and the east coast of the US - also proved to be below expectations.

## COMPANY PROFILE

## Nedlloyd

Market capitalisation	\$510.7m
Main listing	Amsterdam
Historic P/E	6.1
Gross yield	2.2%
Earnings per share, 1994	F14.1
Current share price	F134.7

Share price relative to the Amsterdam AEX index

Leo JM Barendsen  
Chairman

## EUROPEAN NEWS DIGEST

## Polish tyre makers' shares suspended

Warsaw's stock exchange yesterday continued the suspension of trading in shares in the country's two leading tyre producers for a second day after the privatisation ministry said that it was negotiating the sale of strategic stakes in both companies. The government is understood to be talking about selling equity in the Debica tyre company in the south-east to Goodyear. Michelin, which has yet to make an investment in central Europe, is negotiating to purchase stock in Stomil Olstyn.

Debica, which specialises in passenger car tyres, was privatised last year. The state treasury still owns a 33 per cent stake in the company which has a market value of 416m zlotys (\$168m). Debica was trading on a price earnings ratio of 11.8 before the stock was suspended. Olstyn, in the north-east, was built in the 1970s mainly to supply the tractor and truck market and has recently branched into passenger vehicle supplies. The state still owns 69 per cent of the company following a disappointing public offer last summer. Olstyn's market capitalisation is 676m zlotys. Mr Leszek Juchniewicz, a deputy privatisation minister, last month said the government wanted to retain a 25 per cent stake in the factory. Olstyn's price ratio is 9.5.

Christopher Robinson, Warsaw

## Germans set to win Fogaz

A consortium of Ruhrgas and VEW, two German utilities, is today expected to be declared winner of an international tender for Fogaz, Hungary's largest gas distribution company (GDC), ahead of British Gas, Gaz de France and a consortium of Italgas and Snam, two subsidiaries of Eni, the Italian energy group. The Budapest city council, the owner of Fogaz, is due to approve a recommendation from its privatisation division that the German consortium be awarded the company.

The expected decision will leave British Gas, which has had an office in Hungary since 1991, without any of the country's six GDCs. The six companies, five of which are being sold by APV Rt, the state privatisation agency, had combined fixed assets of F100.1bn (\$902m) at the end of last year.

Five of the companies look likely to be sold to rival continental utilities, while the sixth is to go to a second tender in which British Gas is not qualified to participate. Italgas/Snam yesterday acquired a 50 per cent plus one stake in Tigris, the largest of the five regional GDCs, from APV Rt for \$172m, while Gdf and Ruhrgas/VEW have been awarded three other GDCs pending approval of the two groups' business plans.

The City of Budapest, which is being advised by Goldman Sachs and Creditanstalt Securities, invited the four foreign groups to make offers for both a 50 per cent plus one vote stake in Fogaz and for a 39 per cent stake.

However, much to the anger of the city council, APV Rt rushed through the sale of Tigris to the Italian consortium before today's long-planned decision on Fogaz. The Italians are also understood to have asked APV Rt to delay the Tigris purchase until the results of the Fogaz tender were known. The APV Rt's refusal appears to have prompted the recommendation to sell a minority stake to Ruhrgas/VEW. The council, which has yet to disclose bid prices, said yesterday this would cost it F48.5bn (\$66m) - the difference between the Italian offer for a majority stake and the Germans' bid for 39 per cent.

Virginia Marsh, Budapest

## Fokker sees end to talks

Fokker, the troubled Dutch aircraft builder, said yesterday it hoped crucial negotiations over its future between the Dutch government and its controlling shareholder, Daimler-Benz Aerospace (Dasa) of Germany, would be completed by the end of the year.

Shareholders at yesterday's extraordinary meeting, called to discuss the "position of the company", were given no new details of the talks. "We had hoped that we could say something about the conclusions of the talks between the Dutch state and Dasa. Unfortunately, this is not the case," Mr Martin Kuhlman, outgoing chairman of the supervisory board, said.

The only news from yesterday's meeting was the announcement of the setting up of a leasing company, Debis Air Finance, on November 20. The Dutch company expects that some 34 leased aircraft on its balance sheet, representing the greater part of its F11.3bn (\$810m) fleet of leased aircraft, would, by the end of the year, be transferred to Debis in which Daimler-Benz would be a minority share holder. This would relieve part of the pressure on Fokker's balance sheet.

The company's shareholders equity is negative following a record F166m loss in the first half of 1995. Fokker is being kept afloat by financial guarantees provided by Dasa.

Ronald van de Krol, Amsterdam

## Banco di Napoli closures

Banco di Napoli, the troubled Italian bank, intends to sell or close chronically loss-making Italian branches, while unproductive foreign branches will be disposed of or turned into representative offices. The bank's directors agreed the measures yesterday as part of a restructuring plan, which will also include the transfer of part of the group's medium-term loans to third parties and the sale of property and non-strategic investments.

But there was no mention of how the board expected to recapitalise the bank, which last month announced a first-half loss of L1,500bn (\$978m), the heaviest in Italian banking history. Attempts to restructure Banco di Napoli are apparently being threatened by internal rows about future strategy, and a barely concealed battle for political control of the bank, which is one of Italy's largest and oldest financial institutions.

Andrea Hill, Milan

## Credito Italiano explains pact

Credito Italiano (Credito), the Italian bank, said yesterday its shareholder pact with Carimonte Holding, another banking group, was intended to protect the medium-term strategy of Rolo Banca 1473, the Bologna bank in which they have a majority stake. Rolo Banca was born last week after investors voted to merge Credito Romagnolo - the Bologna bank bought by Credito - with Carimonte's main banking subsidiary.

One clause in the pact gives each of the two main shareholders in Rolo Banca an option to buy the other's stake if control of Carimonte or Credito changes hands. The clause was attacked as a "poison pill", which would deter potential bidders for Credito by depriving them of its prime asset, and Consob, the Italian financial markets watchdog, had asked Credito to clarify the terms.

Mr Lucio Rondelli, Credito chairman, said that in the case of a change of control the option would be exercised at the average price of Rolo shares over the six months prior to the request. Credito Romagnolo shares currently trade at about L11,000, half what Credito and its allies paid earlier this year.

Andrea Hill

## Heineken defends strategy

Heineken, the Dutch brewing group, yesterday denied reports in the Dutch press of a setback to the Japanese strategy. Algemeen Dagblad had reported Heineken Japan, the joint venture 51 per cent owned by Heineken and 49 per cent by Kirin Brewery of Japan, had decided to discontinue production of canned beer due to disappointing sales. Heineken said its Japanese strategy had proven very successful. It had begun exporting canned beer to Japan in March and discontinued local production at the same time, it said.

AFX News, Amsterdam

## Finnair profits surge midway

Finnair, the national airline, yesterday announced pre-tax profits up from F299m to F462m (\$108.38m) in the six months to September. Sales were almost static at F33.62bn, compared with F33.63bn in the same period the previous year. Finnair said it expected a "clear improvement" in full-year results over 1994/95.

AFX News, Helsinki

## Krupp Hoesch beats off competition to pay DM700m for Uhde

By Michael Lindemann in Bonn

Krupp Hoesch, the German steel and engineering group, yesterday outbid two leading competitors to buy Uhde, one of the world's leading constructors of chemical plants and a subsidiary of the Hoechst chemicals group. Industry sources said Krupp Hoesch would pay about DM700m (\$488.2m) for Uhde.

Metallgesellschaft, the German industrial conglomerate which

appears to be recovering from its near-collapse two years ago, had bid DM650m for Uhde, the sources said. M. W. Kellogg, the US group, also made an unspecified bid.

Krupp Hoesch and Hoechst have signed a letter of intent, but the deal has still to be cleared by the cartel authorities.

Krupp Hoesch said Uhde, which does more than 80 per cent of its business outside Germany, was a good fit for Krupp Koppers, the chem-

ical plant construction company which had sales last year of DM220m. Recently it has struggled because it is too dependent on the domestic market.

Uhde reported net profits of DM18m last year on sales of DM651m, making Uhde's exit multiple about 0.9 times sales and 38 times earnings. The company said it had new orders last year worth DM1.5bn and orders on hand at present totalled DM2.3bn. Over the past four years Uhde has reported

average sales of DM880m, with the figure fluctuating strongly depending on the booking of large contracts, the company said.

The Uhde sale marks a further step in Hoesch's disposal of non-core activities. The Frankfurt-based group earlier this year cut its stake in SGL Carbon, which makes graphite electrodes, and disposed of Schwarzkopf, the cosmetics group. Hoesch said it would continue to concentrate on its pharmaceutical activities and its agri-

cultural and industrial chemicals.

Krupp Hoesch, which itself has undergone considerable restructuring in recent years, said it saw the plant construction activities as an "attractive" business.

Overall, the plant construction division, one of Krupp Hoesch's six divisions, reported an operating profit of DM53m on sales last year of DM1.8m. The company said it expected improved results for 1996 but declined to give any further details.

This announcement appears as a matter of record only.

November 1995

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Initial Public Offering of  
31,395,000 Ordinary Shares  
at DM 68 each

Lead Financial Adviser to adidas AG  
and Joint Global Coordinator

Union Bank of Switzerland

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of SwitzerlandRecord  
of Nov  
despite

By Bernard Simon at Tr

Bank of Nova Scotia, the Canadian bank, has reported record annual profits, despite a substantial write-down in its investment in Alcan, a Canadian aluminium producer.

Earnings dropped to F1.5bn (\$1.1bn) in the third quarter, down from F1.8bn (\$1.4bn) in the second. The bank's profit margin was 1.5 per cent, down from 1.8 per cent in the second quarter. The bank's assets were F1.1bn (\$840m) at the end of the quarter, up from F1.0bn (\$770m) at the end of the second quarter.

Fourth quarter profits were F1.6bn (\$1.2bn), up from F1.5bn (\$1.1bn) in the third quarter. The bank's assets were F1.2bn (\$920m) at the end of the quarter, up from F1.1bn (\$840m) at the end of the third quarter.

## Licence

Monetary authorities in London and the City of London have agreed to issue a licence to a new company, which will be owned by a consortium of British and American companies. The company will be responsible for the development and operation of a new financial market in London.

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INTERNATIONAL COMPANIES AND FINANCE

Asahi loses Y800m on Daiwa Bank share purchases

By Gerard Baker in Tokyo

Daiwa Bank's battered reputation received another blow yesterday when it was revealed that a leading life insurance company has lost up to Y800m (\$7.8m) from buying Daiwa shares after the bank knew about heavy losses it had incurred through bond trading at its New York branch.

Asahi Mutual Life Insurance Company said that the bulk of the share purchases were made in the period between Daiwa's discovery of the \$1.1bn bond-trading losses in August and public disclosure of those losses in September.

Asahi, one of Japan's leading institutional investors, confirmed that it bought more than Y4bn worth of Daiwa stock from brokers between August 20 and September 21. Daiwa knew about the losses on July 24, but did not disclose them until September 26.

Asahi paid an average of just over Y800 for more than 5m shares. Following disclosure of the losses, Daiwa's shares fell by more than 25 per cent, to reach a low of just over Y800 at the end of October. As a result, Asahi is estimated to have lost up to Y800m.

The life insurer said it had been approached by Daiwa some time ago to buy its shares in order to improve their business relationship. Asahi said it was itself keen to increase its stake in the company, since it wanted to further its connections in the Osaka area where Daiwa is based.

Growth slows at Japan's insurers

By Emiko Terazono in Tokyo

Results from Japan's leading life insurance companies yesterday show that they are continuing to operate in a tough environment. The companies, with the exception of Nippon Life, saw premium income fall in the first six months to September due to cancelled policies. Combined premium income for the eight companies, which rose 13.4 per cent the previous year, fell 6.2 per cent.

slowest annual asset growth since they started reporting in 1989. Their combined assets grew by 5 per cent to Y141,557.3bn (\$1,397.6bn). The combined outstanding balance of insurance contracts with individual customers grew just 2.3 per cent, compared with 4.3 per cent growth a year earlier. This was the result of individuals refraining from buying new policies because their income had been hit by the economic downturn.

Sumitomo Life, which posted the biggest jump in investment returns, recorded Y137.9bn in bond sales. Low interest rates are expected to continue to be a drag on investment returns in the second half. Combined unrealised profits on domestic shares, which act as a buffer against investment losses, rose 89 per cent from the end of March to Y7,368.8bn, although the figure is a quarter of the peak figure at the

end of 1989. The companies posted strong increases in recurring profits due to securities sales. Their combined bad loans totalled Y469.5bn, a 26.8 per cent rise from the end of last March. Chiyoda had Y122.3bn in bad loans, while Sumitomo reported Y81.1bn. Restructured loans to the housing loan companies totalled Y570bn, with Nippon reporting Y150bn and Dai-ichi Y100bn.

JAPANESE LIFE INSURERS: FIRST HALF RESULTS

Company	Premium Income (Ybn)	% change	Investment Income (Ybn)	% change
Nippon	3,026.1	3.7	274.4	12.2
Dai-ichi	2,922.3	2.8	208.9	10.1
Sumitomo	1,771.1	8.2	232.8	19.5
Mitsui	1,394.5	7.5	197.8	10.1
Asahi	1,375.5	2.0	177.5	10.1
Yamato	835.9	4.8	100.0	10.1
Chiyoda	683.2	17.3	113.0	10.1
Chiyoda	281.9	26.1	100.0	10.1

year to March would remain risk adverse, with the bulk of the new funds being placed in the domestic bond market.

Dai-ichi said that its total investment in domestic bonds stood at Y5,340bn at the end of September, following a Y800m increase during the first half. Sumitomo increased its domestic bond investments by Y1,700bn to Y8,540bn at the September interim book closing.

Acquisition helps Sappi post sharp advance

By Mark Ashurst in Johannesburg

Sappi, the South African paper and pulp group, posted pre-tax profits of R1.3bn (\$365m) for the seven months to September 30, double those for the full year to last February.

combined with a sharp rise in prices of pulp and related products, was reflected in an increased turnover of R9.3bn for the seven months, compared with R7.8bn for the preceding full year. Earnings per share for the period were 600 cents, against 352 cents for the full year. The group is paying a dividend of 120 cents, up from 100 cents. It

has changed its year-end to September bringing South African, German and UK offshoots into alignment. Hannover Papier, the German subsidiary which exports half its production, benefited from higher prices, although this would be partly offset by the stronger D-Mark.

The S.D. Warren acquisition expanded Sappi's European operation and contributed R550m of the R1.7bn operating income for the period. However, higher selling costs failed to offset the rapid rise in pulp prices at the pulp-dependent UK-based operation. Net finance costs increased sharply to R413m from R195m following the acquisition. An improvement in gearing was a priority, the company said.

Howard Smith quits shipping business

By Nikki Tait in Sydney

Howard Smith, the Australian diversified industrial group, is pulling out of the shipping business after almost 150 years. It currently owns or manages 16 vessels.

The most recent, earlier this month, was in support of striking workers at CBA's bauxite mining operations in far north Queensland who are trying to preserve their collective bargaining rights.

The company said it saw only "very limited" growth prospects in the oil tanker and dry bulk trades markets where its expertise lies. It added that "the significant increase in industrial disruption of our maritime operations over matters not related to our business during the past 14 months - and a lack of real commitment to ongoing reform by industry participants - makes the industry look even less attractive as an investment option".

Smith later indicated it expected a cash injection of about A\$60m (US\$45m) from the divestment of the shipping business. It stressed that its towage and salvage operations - which encompass several UK ports, including Felixstowe - and its Patrick Sleigh Shipping Agencies were not affected by the decision to withdraw from shipping.

ASIA-PACIFIC NEWS DIGEST

Confusion reigns over CBA flotation

The Australian federal government is to appoint lead managers next week for the sale of its remaining 50.4 per cent stake in Commonwealth Bank of Australia. However, there is still confusion over how the sale will proceed.

Mr Kim Beazley, Australia's finance minister, indicated this week the federal government might consider selling its entire stake in this financial year, ending June 30. The stake, worth about A\$4bn (US\$3bn), would - if sold in one tranche - be the biggest equity offering the Australian stock market has been asked to digest.

The government had flagged the sale of its remaining CBA holding, but indicated it would be in two stages: the bulk would be sold in 1995-96 and the rest in 1996-97. The bank has also indicated it might spend about A\$1bn buying back part of the stake for cancellation. CBA yesterday told the stock exchange it had been told that no decision had been taken on how the remaining shares would be sold. Nikki Tait, Sydney

Hindalco up 57% at halfway

Hindalco, India's largest integrated aluminium producer and part of the Aditya Birla group, lifted net profits 57 per cent to Rs2,090m (\$59.8m) in the six months to September 30. Sales grew 48 per cent to Rs1.13bn. The company attributed the strong performance to increased production and sales.

Analysts said capacity expansions, strong aluminium prices, and a shift towards value-added products, coupled with increasing efficiency and cost control, would bring further improvements. Gross profits increased 67 per cent, from Rs2,070m last year to Rs3,450m. Export sales increased 70 per cent from Rs583m to Rs1,481.8m. Earnings per share on an annualised basis increased to Rs6.6, against Rs7.1. Output of alumina rose to 168,014 tonnes, 8 per cent more than last year. Aluminium production increased by 5.3 per cent to 85,867 tonnes. Hindalco, which accounted for 34.5 per cent of the country's production of primary aluminium in 1994-95, has a strong advantage over domestic competitors because of its captive power plant at Ramnagar. Power from state electricity plants is not only erratic and in short supply, but is also more expensive. Shrihar Sidhu, New Delhi

Swiss stake for CCA

Coca-Cola Anatel, the Australian-based soft drinks bottler with interests in Asia-Pacific and Europe, is to buy a one-third interest in Coca-Cola Getränke, a Swiss bottler that has a licence to make and distribute Coca-Cola products to three-quarters of the Swiss population.

North slips in first quarter

North, the Australian resources group formerly known as North Broken Hill Peko, suffered a 17 per cent fall in first-quarter profits to A\$20m (US\$14.97m) after tax. Operating profits were slightly higher at \$7.2m, mostly as a result of a sharp increase in profits from the gold operations which saw higher output and better prices. Revenues rose from A\$197.7m to A\$225.8m.

North slips in first quarter

Exploration and development costs increased from A\$8.6m to A\$18.9m, largely because of evaluation work on the Yakabindie nickel project in Western Australia. North said it would decide soon whether to take up its option to buy up to 60 per cent of the project. Nikki Tait

All of these securities having been sold, this announcement appears as a matter of record only.

17,512,675 Shares

THE ESTÉE LAUDER COMPANIES INC.

The Estée Lauder Companies Inc.

Class A Common Stock  
(par value \$0.01 per share)

4,401,563 Shares

This portion of the offering was offered outside the United States by the undersigned.

Goldman Sachs International  
Dillon, Read & Co. Inc.  
Merrill Lynch International Limited  
J.P. Morgan Securities Ltd.

Deutsche Morgan Grenfell  
Banque Bruxelles Lambert S.A.  
HSBC Investment Banking

Credit Lyonnais Securities  
ING Bank  
Nikko Europe Plc

UBS Limited  
CS First Boston  
SBC Warburg

13,111,112 Shares

This portion of the offering was offered in the United States by the undersigned.

Goldman, Sachs & Co.  
Dillon, Read & Co. Inc.  
Merrill Lynch & Co.  
J.P. Morgan Securities Inc.

Arnhold and S. Bleichroeder, Inc.  
Dean Witter Reynolds Inc.  
A.G. Edwards & Sons, Inc.  
PaineWebber Incorporated  
Smith Barney Inc.  
William Blair & Company  
Rauscher Pierce Refsnes, Inc.  
The Robinson-Humphrey Company, Inc.  
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Neuberger & Berman  
Scott & Stringfellow, Inc.

Bear, Stearns & Co. Inc.  
Deutsche Morgan Grenfell  
Furman Selz  
Prudential Securities Incorporated  
Wasserstein Perella Securities, Inc.  
Dain Bosworth  
McDonald & Company  
Raymond James & Associates, Inc.  
Stephens Inc.  
Sutro & Co. Incorporated  
The Buckingham Research Group  
Pryor, McClendon, Counts & Co., Inc.  
Muriel Siebert & Co., Inc.

Alex. Brown & Sons Incorporated  
Donaldson, Lufkin & Jenrette Securities Corporation  
Morgan Stanley & Co. Incorporated  
Salomon Brothers Inc  
Advest, Inc.

November 1995

This announcement appears as a matter of record only.

October 1995

KLM  
Royal Dutch Airlines

Koninklijke Luchtvaart Maatschappij N.V.

US \$700,000,000

Revolving Credit Facility

Arrangers:

Citibank International plc  
Union Bank of Switzerland  
ABN AMRO Bank N.V.

Senior Lead Managers:

ABN AMRO Bank N.V.  
Deutsche Morgan Grenfell  
ING Bank  
The Sanwa Bank Limited, Brussels Branch

Lead Managers:

Bayerische Landesbank International S.A.  
Banca Commerciale Italiana S.p.A.  
The Chase Manhattan Bank  
Dai-ichi Kangyo Bank Nederland N.V.  
The Fuji Bank, Limited  
Kredietbank (Nederland) N.V.  
NacWest Markets  
SNS bank Nederland NV

Managers:

Banque de Soer Nederland NV.  
Nieuw Bank Nederland NV.  
Royal Bank of Canada Europe Limited  
De Nationale Investeringsbank NV.

ABN AMRO Bank N.V.

ABN AMRO Bank N.V.  
Citibank, N.A., Amsterdam  
Union Bank of Switzerland  
Dresdner Bank Luxembourg S.A.  
Rabobank Nederland  
Midland Bank plc  
The Bank of Tokyo (Holland) N.V.  
Chemical Bank  
Den Danske Bank  
The Industrial Bank of Japan, Limited  
Mitsubishi Bank (Europe) S.A.  
The Sakura Bank, Limited  
Société Générale S.A.







COMPANY NEWS: UK

# More aggressive marketing campaign bears fruit for Argyll

By Neil Buckley

Argyll, the food retailer which owns the Safeway chain, showed its restructuring plan and more aggressive marketing campaign were bearing fruit as it announced a 4 per cent increase in interim pre-tax profits to £213.7m, and strong sales growth.

Before property losses of £1.5m, pre-tax profits for the 28 weeks to October 14 increased 5 per cent, from £205.3m to £213.7m, in line with expectations. The group warned, however, that a resurgence of price competition, especially on fresh foods, was likely to squeeze its gross margin in the second half.

The shares gained 7p to 312p.

The UK's third largest food retailer announced in May it was cutting 4,800 jobs, with exceptional costs of £186m, in a restructuring plan called Safeway 2000. The programme is designed to attract more family shoppers and improve sales densities in its stores.

Some 9,500 staff have swapped jobs with several

thousand retrained. Ranges have been revised, and prices lowered on basic goods to improve customers' price perceptions.

Safeway has also increased advertising spending, launched a national loyalty card, ABC, which has 3m members, and adopted customer service improvements. Yesterday's sales figures suggested its actions were having an effect.

Group sales, including the effects of the disposal of many smaller Presto and Lo-Cost stores last year, increased only 1 per cent to £2.4bn, but total sales from continuing businesses increased 11 per cent.

Safeway's sales grew 13 per cent to £3.15bn, with net new stores adding 5.3 percentage points. Like-for-like sales increased 7.8 per cent including 3.1 per cent inflation, and a 4.7 per cent volume increase.

That was less than rival Tesco's recent 6 per cent volume increase, but well ahead of J Sainsbury's 2.2 per cent volume decline.

In the second half, total like-for-like sales growth was run-

ning at 9.6 per cent, with slightly lower inflation of 2.9 per cent - indicating a 6.7 per cent volume increase.

The interim dividend is 4 per cent higher at 4.05p (3.9p) on earnings per share up 3 per cent from 12.8p to 13.2p.

● COMMENT

Safeway's sales performance was impressive, the more so in recent weeks. But it has a cost. It was bought through a lower gross margin - expected to show little improvement in the second half - a twofold increase in advertising spending, and investment in a loyalty card, prompting questions as to how long it can be sustained. But weekly sales a sq ft of £13.84, compared with Safeway's mid-term target of £15, and £18-plus for industry leader Sainsbury, suggest there is still plenty to play for. Full-year profits forecasts of about £410m this year (against £376m before exceptional costs) and £480m next put the shares on multiples of 13.5 and 11.3, making them look a little cheap compared with competitors.



David Webster, Argyll deputy chairman (left) with Colin Smith, chief executive (centre) and Sir Alistair Grant, chairman: interim pre-tax profits up 4 per cent

# Robert Fleming slips 22% on market gloom

By John Gapper, Banking Editor

Depressed stock markets and low trading volumes in Asia and Latin America led to a 22 per cent fall in interim pre-tax profits at Robert Fleming Holdings, the family-controlled investment bank, from \$97.4m to \$75.7m.

Fleming does not intend to make any fundamental change in its strategy to concentrate on emerging markets.

Mr John Manser, chief executive, said that most of its trading network had been profitable despite low equity volumes.

A decline at Jardine Fleming from \$140m to \$78m (\$49.3m) in the half year to June 30 accounted for much of the group profits fall in the six months to September 30.

Despite the fall, Flemings declared a near 8 per cent increase in the interim dividend from 6.5p to 7p. It retained profits in its capital reserves of \$42.5m, compared with \$55.4m.

Mr Manser said Flemings intended to make its first venture into US domestic fund

management by marketing funds in small companies for investors in the US and overseas. It had largely made up for previous poor performance in some UK funds.

The bank reported a "consistent deal flow" in capital markets both in the UK and in emerging markets. It led 13 equity issues.

Mr Manser said its Latin America network would continue to grow although it was still losing money because of very low stock market volumes there.

It is shortly to announce a partnership to open an office in Peru.

Mr Manser said Flemings intended to stay independent despite expressions of interest from other banks in the wake of the collapse of Barings. "Sometimes people ring up, but I never take them too seriously," he said.

He said he believed independence would remain viable, but could come under threat in the long term if Flemings was unable to attract talented staff because people preferred the security of working for the largest banks.

# Alliance reshuffle as stake sold

By Motoko Rich

The largest shareholder in Alliance Resources has sold its stake in the US-based oil and gas group to Trans Arabian Energy investment company, leading to an overhaul of the board, including the appointment of a new chairman.

North American Gas Investment Trust has sold its total holding of 63m shares - 19.5 per cent of the company - at 24p a share. Alliance shares were unchanged at 34p.

The stake included 5m shares allotted to NAGIT on Monday to repay a \$250,000 (\$158,000) development loan.

Mr Patrick Maley, a director of Trans Arabian, was appointed executive chairman, and Mr Robert Sheard, non-executive director of Alliance, was made managing director.

Mr Mark James and Mr Paul Roberts of Trans Arabian become non-executive directors.

Mr James Prior, the previous chairman, is resigning both as non-executive chairman and as director of the company, effective immediately.

No finance director has been appointed, but Mr Nicholas Gray, a director, said the group was conducting an outside search to fill the post.

Trans Arabian Energy, owned by Middle Eastern investors, is helping to refocus Alliance towards opportunities in the former Soviet Union, eastern Europe and the Middle East.

The group has lodged a case in the High Court accusing its former chief executive, Mr John O'Brien, of fraud. The case began on Monday.

# British Biotech's cash outlook good

By Daniel Green

British Biotech's chances of raising \$48m over the next few weeks increased yesterday when its shares rose 50p to £10.45 ahead of the publication of the results of clinical trials for its cancer drug marimastat.

These results are the most important information likely to be published by the company ahead of the start of a warrant exercise period on December 11.

The warrants are exercisable at 65p each, providing a paper profit - at yesterday's close - of more than 50p a share.

They are likely to be exercised in full.

The warrant price yesterday rose 60p to 51p. Earlier this year they traded as low as 50p.

The interim results of phase II clinical trials are to

be published today.

These are tests on patients rather than volunteers, but do not involve as many patients and are not conducted as rigorously as the final phase III trials.

The cash injection will be welcome for British Biotech, which is spending more than £30m a year on research and development, and has negligible sales so far.

Marimastat is now one of the company's most important drugs, along with leuprolide, a prostate cancer drug.

When the company made its \$94m rights and warrants issue in 1994, another cancer drug, batimastat, was hailed as its most promising product.

This year, the company downgraded the importance of batimastat in its research portfolio.

# Waddington 16% ahead despite UK plastics loss

By David Blackwell

John Waddington, the printing and packaging group, lifted interim profits by almost 16 per cent in spite of a setback at its plastic container subsidiary.

Losses at its UK Plastona business, which makes containers for yellow fats, more than quadrupled to £1.4m in spite of a £1m reduction in costs.

The group was looking for an explanation for a big drop in demand in the second quarter, and was "reviewing a number of options".

Pre-tax profits for the six months to the end of September increased from £9.8m to £11.5m, helped by a fall in interest payable from £1.13m to £385,000.

This reduction in interest reflected the £50m sale last year of the games business, which contributed £2.2m to profits in the 1994 first half.

Operating profits on continuing businesses rose from £8.8m to £11.8m, including \$517,000 from a US acquisition.

Turnover rose from £109.3m to £144m, partly reflecting increases in raw material prices, which have squeezed margins.

Mr Martin Buckley, chief executive, said that some polymers had risen by 50 per cent between April last year and this October, but had started to come down.

He described the reduction in raw material prices as the most significant factor for the second-half outlook, adding that the group hoped to hold on to some of its gains in selling prices.

Operating profits from the plastic packaging division, which includes Plastona, fell from \$4.25m to \$3.74m, while turnover rose from \$58m to \$64.4m.

Profits from the US food services business were flat, while the pharmaceutical packaging business doubled profits to £2.2m.

The paper and board packaging division lifted operating profits from £2.4m to £3.8m on improved sales of £41.8m (\$24.2m), boosted by last year's acquisition of Imca, the

Dutch cartons maker.

A high level of activity in the financial services sector helped lift specialist printing from £2.17m to £2.7m on sales of £35.1m, compared with £27.2m.

Earnings per share edged ahead to 7.5p (7.08p) and the interim dividend is lifted to 4p (3.8p).

● COMMENT

Any optimism surrounding last year's results has evaporated following the losses at Plastona. Options open to the management, which is unable to explain the fall in demand, appear few - invest further, sell, or close down. The last option looks the most probable, with the consequent costs.

While the tradition of disappointments is continuing, the latest acquisitions are performing well and strong organic growth from direct marketing is driving the specialist printing division. Full-year forecasts of about £28m give a proper five multiple of 12. This looks fair enough in view of the yield of more than 5 per cent, which is high for the sector.

# River Plate hastens pay-out

By Roger Taylor

River Plate & General, the split capital trust currently the subject of a bid from Jupiter Asset Management, said yesterday that it would pay out as much as it could to shareholders as soon as possible, by bringing forward its dividend.

As part of the results for the year to October 31, the trust is paying a dividend of 7.04p, compared to a final of 6.85p last year.

However, this will be a second interim rather than a final, so that it can be paid quickly.

River Plate said that this would "help to tidy things up in the light of the bid".

Total assets of the company rose 2.8 per cent during the year compared to a rise of 12.9 per cent in the FTSE-100 All-Share Index.

Jupiter Asset Management, which manages River Plate, is bidding for the trust, with shares in a new investment trust, the Jupiter Split Trust.

River Plate is due to be wound up on October 31 1996.

# Domestic & General share sale

Mr Howard James, non-executive director of Domestic & General Group, sold shares in the company worth \$435,000 yesterday. Mr James, who sold 30,000 shares at £14.50, was managing director of the electrical appliance insurer from 1973 until his retirement in 1993. He still owns 50,000 shares in the group.

● Mr John Napier, managing director of Hays, the business services group, sold shares in the company worth £373,000 yesterday.

Hays said that he had sold 150,000 shares at 242p to repay borrowings of £500,000 he incurred from exercising share options in the company last year. He retains 490,000 shares in Hays.

## NEWS DIGEST

### Business Post

Mr Peter Kane, chairman and majority shareholder in Business Post, has sold a 4.5 per cent stake in parcel and express mail group following his decision this month to take a non-executive role.

Mr Kane, who retains 28m shares or 56 per cent, sold 2.25m shares at 356p. He said the sale was a response to requests for increased liquidity in the shares. The Kane family still controls some 70 per cent of the group and said it had no plans to dilute its holding further.

### Low & Bonar

Low & Bonar, the packing and materials group, has acquired Ex-Press Plastics for up to £4.3m and approved a £316.3m (£7.5m) investment project for its multiwall bag businesses in Canada.

Low is paying an initial £3m with a further profit-related

# Elan raises \$90m from warrants

By Daniel Green

Elan Corporation, the Irish drug delivery company quoted in Dublin, London and New York, said yesterday that it had raised \$89.7m (£56.7m) through the exercise of 99.92 per cent of its 1990 series warrants which expired on November 14.

Each warrant entitled its holder to buy one Elan American Depositary Share at \$15.25. The ADSs were up 4p at \$46 in early trading in New York yesterday.

Elan also announced the appointment as a director of Mr David Bethune, former vice-president of American Cyanamid.

Elan has a market value of almost £1bn.

## RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends in arrears	Total for year	Total last year
Adrian Gold	6 mths to Sept 30	0.27 (0.11)	0.051 (0.001)	0.05 (0.01)	-	-	-	-
Andrews Sykes	6 mths to Sept 30	24.8 (28.3)	3.57 (1.98)	14 (16.5)	-	-	-	-
Argyll	28 wks to Oct 14	3,178 (3,150)	212.7 (205.3)	13.2 (12.8)	4.05	Feb 19	3.9	12
Barrat	6 mths to Oct 1	52.7 (38)	1.89 (0.91)	1.21 (0.71)	1.0	-	1.2	-
CPL Airways	6 mths to Sept 30	13.9 (9.8)	1.41 (0.83)	0.8 (0.9)	1.0	Jan 9	0.87	3.7
Games of London	6 mths to Sept 30	13.1 (12.5)	5.45 (4.67)	3.02 (2.65)	0.98	Jan 5	0.87	2.79
Foster (John)	6 mths to Aug 31	5.96 (6.17)	0.531 (0.611)	4.8 (5.4)	-	-	-	-
JJ	6 mths to Sept 30	40.7 (54.3)	2.84 (1.73)	5.7 (2.8)	1.05	Feb 2	1.65	4.85
La Biche Shires	28 wks to Oct 7	71.6 (68.8)	2.74 (2.47)	13.8 (13.1)	-	-	-	-
Marshall Thompson	6 mths to Sept 25	85.2 (78.8)	13.9 (12.3)	11.19 (9.91)	2.5	Jan 16	1.76	5.56
Mid Kent Holdings	6 mths to Sept 30	19.49 (17.84)	5.34 (3.23)	22.7 (18.3)	6.25	Jan 11	5.3	12.8
Red Horse Loans	Yr to Sept 30	-	15.1 (11.4)	22.91 (23.2)	1	Jan 31	1	1
Northerner	6 mths to Oct 31	95.7 (74)	2.04 (0.85)	8.16 (2.07)	0.6	Feb 1	0.5	1.7
Shield Diagnostics	6 mths to Sept 30	2.73 (2.25)	0.094 (0.02)	0.16 (0.1)	-	-	-	-
Tate & Lyle	53 wks to Sept 30	4,714 (4,221)	311.14 (271.5)	49.71 (49.8)	11	Feb 6	9.8	14.4
Waddington (John)	6 mths to Sept 30	144 (128.8)	11.5 (9.88)	7.9 (7.08)	4	Jan 19	3.6	8.7
Walsby	6 mths to Sept 30	48.2 (42.5)	4.25 (3.28)	4.5 (3.7)	1.5	Jan 19	1.5	4.5
Yorkshire Water	6 mths to Sept 30	292.1 (275.4)	98.54 (87.2)	47.1 (31.9)	8.1	Feb 28	6.3	27.8

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**JF INDONESIA FUND INC.**  
(An exempt company incorporated with limited liability under the laws of the Cayman Islands)

Expiry of the Subscription Period of the Warrants to subscribe for Shares in the Company at US\$1.13 per Share

The Board of Directors of JF Indonesia Fund Inc. (the "Company") wishes to remind holders of the Company's registered warrants (the "Warrants"), that the subscription rights attached to the Warrants to subscribe for ordinary shares of US\$0.01 each in the Company ("Shares") at a price of US\$1.13 per Share expire on Sunday, 31st December, 1995. Due to the fact that 31st December, 1995 is a Sunday, the last business day during the subscription period pursuant to the terms and conditions of the Warrants is Friday, 29th December, 1995. Following such date, any subscription rights which have not been exercised will lapse and the Warrants will cease to be valid for any purpose.

Warrant holders who wish to exercise their subscription rights should complete and sign the subscription form on the reverse side of the relevant Warrant Certificate and deliver the same to the Company's registered office in Hong Kong, Central Registration Hong Kong Limited at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. (Hong Kong time) on Friday, 29th December, 1995 (being the last business day in the subscription period during which the subscription rights may be exercised), together with the relevant exercise monies.

Persons who have acquired Warrants and who wish to exercise the subscription rights attached to the Warrants and who have not yet exercised their transfers should lodge the relevant Warrant Certificate, duly completed forms of transfer and/or other documents of title (duly stamped where appropriate) together with the signed subscription forms and the relevant exercise monies, with the Company's registered office in Hong Kong not later than 4:00 p.m. (Hong Kong time) on Friday, 29th December, 1995.

The last day of trading in the Warrants on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be Friday, 22nd December, 1995. Application has been made to the Stock Exchange for the listing of the Warrants on the Stock Exchange to be withdrawn with effect from the close of business on Friday, 29th December, 1995.

As at Monday, 27th November, 1995 (the latest practicable date prior to the printing of this notice), the closing prices of the Shares and Warrants on the Stock Exchange were HK\$8.15 and HK\$0.148 respectively. The unexercised fully diluted Net Asset Value per Share was HK\$10.06 (US\$1.30) as at Monday, 27th November, 1995.

A circular regarding the expiry of subscription rights attaching to the Warrants will be despatched to Warrant holders as soon as practicable.

By order of the Board  
W.J. Toorill  
Company Secretary  
Hong Kong, Monday, 27th November, 1995

The Financial Times plans to publish a Survey on

# Franchising

on Tuesday, March 12th.

This survey will focus on areas such as research for potential franchisees, explores sources of funding available and highlights the specialist help available.

For more information, please contact

Lesley Sumner

Tel: +44 (0) 171 873 3308

Fax: +44 (0) 171 873 3064

FT Surveys

**THE HEDGE FUND**  
(In Liquidation)  
SICAV  
Luxembourg, 11, rue Aldringen  
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The Extraordinary General Meeting of Shareholders held on 27 November 1995, resolved among others

- to approve the liquidation account;
- to declare as final dividend the interim liquidation dividend of USD 14.47 per share, resolved by the Extraordinary General Meeting of Shareholders held on 28 July 1995;
- to approve the closing of the liquidation;
- to retain the books and records of the SICAV for a period of five years with KREDIETRUST, 11, rue Aldringen, Luxembourg;
- to instruct the liquidator to deposit any monies which could not be distributed until 27 November 1995, with the "Caisse de Consignation", Luxembourg.

By order of  
RIN-CONTROLE S.A.  
Liquidator

---

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November 30, 1995, London  
By: Citicorp, N.A. (Issuer Services), Agent Bank CITIBANK

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payable on February 29, 1996.

A payment is possible  
because of this year's refinancing  
and capital reconstruction.  
Achieved despite opposition

## Drought costs Yorkshire £20m

By Peggy Hollinger

Yorkshire Water yesterday warned that full year profits would be hit by the escalating costs of this summer's severe drought.

The company said the dry summer had cost it an extra £20m. Mr Trevor Newton, managing director, said final costs were "to a degree open-ended," given uncertainty over the weather. Yorkshire is spending £3m a week on an operation to ship 80,000 tonnes of water a day into the driest areas.

Mr Newton said just "one day's good rain" could eliminate the threat of water cuts posed by the company's request for drought orders. Meanwhile, the company was investing £75m in increasing water supplies.

Mr Newton refused to be drawn on the implications of the drought costs for dividends, beyond saying that Yorkshire maintained its strategy of lifting the dividend in real terms. In addition, Yorkshire had "no plans on the shelf" for a share buy-back.

"At the moment the needs of the customers clearly have to take priority," he said. His comments were accompanied by a 48 per cent increase in pre-tax profits to £99.5m, on turnover 6 per cent higher at £92.1m in the six months to September 30. Profits were struck after drought



Sir Gordon Jones, chairman, visits the £15m extension to the Ebbw Vale water treatment centre

costs incurred in the first half of £4.6m, and a £2.6m gain on the sale of part of Yorkshire's stake in a cable investment. The rise was also helped by the absence of last year's £25m restructuring provision.

The core water divisions returned operating profits of £100.5m, against £72.2m last time. The non-core division slipped to £1.6m (£2m). A difficult liquid waste market and planning delays which increased costs in the incineration business were behind the decline.

The interim dividend is increased by 9.5 per cent to 9.1p. Earnings rose by 48 per cent to 47.1p.

### COMMENT

Yorkshire is learning that it does not pay to throw off quick quips while customers face the threat of water cuts. So its caution over elaborating on dividend policy and share buy-backs is to be commended. Nevertheless, the drought will surely have some effect on shareholders this year. Yorkshire will find it difficult in the

short term to transfer its considerable balance sheet strength to investors through either share buy-backs or special dividends. In the longer term, these must remain real possibilities. Forecasts are for pre-tax profits, after estimated drought costs of £35m, of £179m (£142m). The full-year dividend is expected to rise by a modest 9.8 per cent to 30.3p. On fundamentals, Yorkshire looks undervalued. In the short term however, the drought problems make the shares look about right.

## Fox chases stake in Flextech channel

By Raymond Snoddy

Flextech, which manages and owns satellite television channels, has confirmed it is in exclusive negotiations on the future of Starstream, its children's channel, with Mr Rupert Murdoch's Fox television network.

Starstream is wholly-owned and trades as TCC.

Fox is set to take a 48 per cent stake in Starstream in a deal that could involve about £30m. However, the importance of the deal, which has yet to be finalised, lies more in the cementing of a permanent relationship between Fox and Flextech, than the amount of money involved.

Twelve channels in which Flextech has an interest are carried on British Sky Broadcasting, the satellite venture 40 per cent-owned by Mr Murdoch's News Corporation.

Flextech, once an oil services company but now a media organisation, is also an investor with BSkyB in Playboy Channel in the UK. There have been increasing alliances between Mr Murdoch and TCC, the world's largest cable company, which controls Flextech.

Joint projects include digital satellite television in South America and an international sports channel.

If the deal between Fox and Flextech goes ahead it is likely to include co-production deals and programme exchanges with the Fox Kids Channel in the US.

Speculation about a deal with Fox has helped to boost a rising Flextech share price which yesterday closed 5p higher at 48p. This compares with 34p 10 months ago.

In August Flextech announced pre-tax losses of £9m (£7.4m) for the six months to June 30. In the whole of last year it incurred a £18.5m loss.

## McDonald takes over Sheff Utd

By Patrick Harverson

Mr Michael McDonald, the Manchester-based businessman whose diesel engine and agricultural machinery group L. Gardner made its stock market debut last week, has taken control of Sheffield United football club for £3.2m. Mr McDonald, who tried to acquire Manchester City two years ago and has since looked at several other clubs, has acquired a 52 per cent stake in Sheffield United from Mr Reg Brarley, the former chairman.

The deal ends a protracted battle for the club, which is languishing in 19th place in the Endersleigh First Division. The new chairman promised to invest more money, including £1.5m for new players. Funds would also be made available to build a £5m stand.

Mr McDonald said three Yorkshire businessmen, including the retail entrepreneur Mr Stephen Hinchcliffe, would also invest in the club.

## NHL dividend fulfils pledge

By Patrick Harverson

National Home Loans yesterday announced its first dividend payment for more than five years, fulfilling the pledge made in February when the mortgage lender won shareholders' approval for a £50.3m refinancing package.

NHL is reinstating the dividend after reporting a 32 per cent increase in annual pre-tax profits from £11.4m to £15.1m. Earnings per share fell from 28.2p to 22.5p in the wake of the rights issue which accompanied the rescue package. The group proposed a final 1p - its first since March 1991.

A payment is possible because of this year's refinancing and capital reconstruction. Achieved despite opposition

from rebel shareholders, it was designed to return NHL to a secure financial footing after the group almost succumbed to a mountain of bad property debts built up during the 1980s.

Mr Jonathan Perry, chairman, said the year to September 30 was one of "steady progress in a most difficult trading environment". Demand for loans had been weak because of the poor housing market and competition among lenders was intense.

He said NHL would continue to develop its non-traditional mortgage lending businesses such as debt collection, administration and securitisation. In July, the number of accounts administered by the group rose by about a third to more than

40,000 as it won a contract from a big US bank to run a portfolio of unsecured loan balances.

Net interest income fell to £33m (£33m) because of disposals and a drop in mortgage balances to £1.38m (£1.57m) as the rate of redemptions increased in the second half and new loans slowed.

Disposals also saw operating expenses fall from £23.2m to £19.6m. Bad debt provisions declined sharply to £10.8m (£36.4m). The shares rose 1p to 94p.

### COMMENT

February's rescue package represented a watershed for NHL, which teetered close to collapse three years ago. It is now making loans again, primarily

through its new Home Loans Direct operation which is concentrating on higher-margin niches in the mortgage market, such as housing associations, the self-employed and shared-ownership schemes. Also, NHL is working to build fee-based businesses by exploiting its collection and administration know-how and debt servicing technology. When the housing market recovers, the group should be well placed to benefit, although it will remain burdened by its old low-quality loan book. Analysts expect profits to reach about £17m this year, which puts the shares on a multiple of just over 5, a big discount to the sector which should narrow as the new-look NHL pursues its safe-but-sure growth strategy.

### NEWS DIGEST

## Northamber jumps to £2.04m

Northamber, the computer peripherals distributor, reported a jump in pre-tax profits to £2.04m in the half-year to October 31, up from £526,000, writes Katrina Lowe.

Sales rose 29 per cent to £57.7m (£47m). The company said the progress vindicated its policy of not sacrificing margins.

The results also benefited from significant supplier rebates.

Merrill Lynch, the company's broker, upgraded its forecast for the year to £4.1m, which compares with £3.1m last time.

The interim dividend is raised to 0.6p (0.5p) from earnings per share of 8.16p (2.07p).

Northamber is focusing on expanding both its specialist

and higher margins products plus the continuing growth of its logistical and distributive services.

### South Country

Taina Securities has acquired 1.5m shares, or 18.6 per cent, of South Country Homes, from Hambro Group Investments and 750,000 shares from Hambro Countrywide, both at 20p a share.

South Country shares jumped 7½p to 23½p.

So that South Country shareholders can participate in the sale of their shares Hambro Bank will make a partial offer for up to 1.62m shares, or 27.9 per cent, of South Country, excluding those held by Taina.

Mr Richard Grogan, of Taina, has agreed to join the South Country board and he said he intended to expand the company through acquisitions.

### Jersey Phoenix

Jersey Phoenix Trust plans to raise about £3.5m through a

placing and open offer of zero dividend preference shares at 100p.

The proposals, together with a reduction in the portfolio yield, would address a number of issues, directors said.

They include a one-year extension to the life of the warrants and it is also anticipated that the life of the company will be extended by nine years.

### CPL Aromas

CPL Aromas, which produces and distributes flavours and fragrances, aromatic ingredients and aromachemicals, lifted interim pre-tax profits by 51 per cent from £930,000 to £1.4m. Turnover rose 39 per cent to £13.6m.

Mr Terry Pickett, chairman, said order books throughout the group remained buoyant and it continued to win new business.

Earnings per share for the six months to September 30 were stepped up from 4.6p to 8.6p and the interim dividend is raised to 1.6p (1.2p).

Mr Michael McDonald, the Manchester-based businessman whose diesel engine and agricultural machinery group L. Gardner made its stock market debut last week, has taken control of Sheffield United football club for £3.2m. Mr McDonald, who tried to acquire Manchester City two years ago and has since looked at several other clubs, has acquired a 52 per cent stake in Sheffield United from Mr Reg Brarley, the former chairman.

The deal ends a protracted battle for the club, which is languishing in 19th place in the Endersleigh First Division. The new chairman promised to invest more money, including £1.5m for new players. Funds would also be made available to build a £5m stand.

Mr McDonald said three Yorkshire businessmen, including the retail entrepreneur Mr Stephen Hinchcliffe, would also invest in the club.



**U.S. \$500,000,000**

## The Korea Development Bank

(Incorporated in The Republic of Korea pursuant to The Korea Development Bank Act of 1983.)

**6½% Bonds Due November 15, 2002**

**Lehman Brothers**

**Salomon Brothers Inc**

**Citicorp Securities, Inc.**

**CS First Boston**

**J.P. Morgan Securities Ltd.**

**Korea Associated Securities Inc.**

**Merrill Lynch & Co.**

**SBC Warburg**

A DIVISION OF SWISS BANK CORPORATION

**Bank of Tokyo Capital Markets Limited**

**Chemical Securities Inc.**

**CITIC Industrial Bank**

**Deutsche Morgan Grenfell**

**DKB International**

**Fuji International Finance PLC**

**Goldman, Sachs & Co.**

**LTCB International Limited**

**Morgan Stanley & Co.**

**Nomura Securities**

**Sakura Finance Asia Limited**

**Sanwa International Finance Limited**

The activities of the Underwriters in connection with this transaction are jointly led by Lehman Brothers and Salomon Brothers Inc.



**EVANS of LEEDS**  
PLC

Property Investment and Development

Investment and trading portfolio of office, industrial, retail and land holdings in Yorkshire, North East, Midlands, Lancashire, North West, South East, West, Scotland.

### UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 1995

	6 months ended 30 September 1995	% Change versus comparable period
Total Turnover	£13.1m	+6.5%
Pre-tax Profit	£ 5.4m	+16.7%
Earnings per share	3.02p	+13.96%
Interim dividend per share	0.96p	+10.3%
Current annual rent roll	£25.5m	+8.5%
Property investment income	£12.7m	+6.4%

Increased dividend payable 5th January 1996 to all shareholders on the register on 15th December, 1995 and will amount £1.25m.

"Further progress has been made in the first half of the year. Property investment income has risen from £11.97m to £12.72m, an increase of 6.4%. Earnings per share have improved by 13.96% to 3.02p, a 1m therefore pleased to announce an increase in dividend of 10.3% to 0.96p per share.

The White Rose Shopping Centre is now almost fully let and is on schedule for completion by Easter 1997.

Our joint venture development company with Yorkshire Water PLC continues to make progress, and we expect further contributions to profits from that source this year."

J.A.C. HUMPHRIES, CHAIRMAN

Evans of Leeds PLC, Millbank, Ring Road Boston, Leeds, LS1 8EC

### THE TAX FREE WAY TO PLAY THE MARKETS

**CITY INDEX**  
We are the leaders in financial and commodity spread betting. Accounts are normally opened within 22 hours. Up-to-date prices from 9am-5pm, 7 days a week. Tel: 011 234 3444. Fax: 011 234 3445. Application form call 011 234 3447. \*Subject to our law

### Bank of Western Australia Ltd (BankWest)

Notice to the Holders of

US\$300,000,000 Unsecured Floating Rate Notes  
A\$75,000,000 11 3/4 per cent. Guaranteed Notes due 1996  
NZ\$50,000,000 8 1/2 per cent. Guaranteed Notes due 1999  
A\$100,000,000 8 3/4 per cent. Guaranteed Notes due 1999  
A\$125,000,000 7 3/4 per cent. Guaranteed Notes due 2003  
A\$100,000,000 7 3/4 per cent. Guaranteed Notes due 2000  
A\$100,000,000 7 1/4 per cent. Guaranteed Notes due 2003  
A\$120,000,000 6 1/2 per cent. Guaranteed Notes due 1998  
A\$0,000,000 10 per cent. Guaranteed Notes due 1999

and holders of any notes under the

US\$500,000,000 Euro Commercial Paper and Certificate of Deposit Programme presently outstanding

NOTICE IS HEREBY GIVEN TO THE NOTEHOLDERS OF THE FOLLOWING:

- Pursuant to the R & I Bank Amendment Act 1994 of the State of Western Australia, on and from 26th April, 1994 the R & I Bank of Western Australia Ltd changed its name to the Bank of Western Australia Ltd. The bank has adopted the name "BankWest" for domestic marketing purposes. Notes will not be recalled for stamping.
- On 21st September, 1995 the Bank of Scotland entered into an agreement under which it agreed, subject to the terms thereof, to acquire all the shares of Bank of Western Australia Ltd whilst at the same time undertaking to offer 49 per cent of the shares to the public within 2 years.
- Under the Bank of Western Australia Act 1995 of the State of Western Australia, the above-mentioned securities will continue to be guaranteed by Treasurer of the State of Western Australia until maturity.

Dated: 30th November, 1995  
Issued by: Bank of Western Australia Ltd

Swale  
Welsh  
initial

Chairman  
contract of

Leicester  
shortfall hits  
Leslie Wise



كتاب الاحوال

WORLD STOCK MARKETS

EUROPE					ASIA					AFRICA				
Index	Nov 29	Nov 28	Nov 27	Nov 26	Index	Nov 29	Nov 28	Nov 27	Nov 26	Index	Nov 29	Nov 28	Nov 27	Nov 26
EUROPE					ASIA					AFRICA				
FTSE 100	5,120.00	5,100.00	5,080.00	5,060.00	Nikkei 225	12,500.00	12,400.00	12,300.00	12,200.00	JSE 300	15,000.00	14,800.00	14,600.00	14,400.00
DAX	3,200.00	3,180.00	3,160.00	3,140.00	Hang Seng	8,500.00	8,400.00	8,300.00	8,200.00	FTSE/JSE	10,000.00	9,800.00	9,600.00	9,400.00
CAC 40	3,500.00	3,480.00	3,460.00	3,440.00	Shanghai	10,000.00	9,900.00	9,800.00	9,700.00	FTSE/ASX	12,000.00	11,800.00	11,600.00	11,400.00
IBEX 35	3,000.00	2,980.00	2,960.00	2,940.00	Osaka	7,500.00	7,400.00	7,300.00	7,200.00	FTSE/BSE	8,000.00	7,800.00	7,600.00	7,400.00
ATX	2,500.00	2,480.00	2,460.00	2,440.00	Seoul	6,000.00	5,900.00	5,800.00	5,700.00	FTSE/NSE	6,000.00	5,800.00	5,600.00	5,400.00
PSX	2,000.00	1,980.00	1,960.00	1,940.00	Taipei	5,000.00	4,900.00	4,800.00	4,700.00	FTSE/CSX	4,000.00	3,800.00	3,600.00	3,400.00
VLX	1,500.00	1,480.00	1,460.00	1,440.00	Hong Kong	4,000.00	3,900.00	3,800.00	3,700.00	FTSE/ALL	3,000.00	2,800.00	2,600.00	2,400.00
STX	1,000.00	980.00	960.00	940.00	Beijing	3,000.00	2,900.00	2,800.00	2,700.00	FTSE/IBEX	2,000.00	1,800.00	1,600.00	1,400.00
FTSE 100	5,120.00	5,100.00	5,080.00	5,060.00	Shanghai	10,000.00	9,900.00	9,800.00	9,700.00	FTSE/ATX	1,000.00	980.00	960.00	940.00
DAX	3,200.00	3,180.00	3,160.00	3,140.00	Osaka	7,500.00	7,400.00	7,300.00	7,200.00	FTSE/PSX	800.00	780.00	760.00	740.00
CAC 40	3,500.00	3,480.00	3,460.00	3,440.00	Seoul	6,000.00	5,900.00	5,800.00	5,700.00	FTSE/VLX	600.00	580.00	560.00	540.00
IBEX 35	3,000.00	2,980.00	2,960.00	2,940.00	Taipei	5,000.00	4,900.00	4,800.00	4,700.00	FTSE/STX	400.00	380.00	360.00	340.00
ATX	2,500.00	2,480.00	2,460.00	2,440.00	Hong Kong	4,000.00	3,900.00	3,800.00	3,700.00	FTSE/FTSE 100	200.00	180.00	160.00	140.00
PSX	2,000.00	1,980.00	1,960.00	1,940.00	Beijing	3,000.00	2,900.00	2,800.00	2,700.00	FTSE/DAX	100.00	98.00	96.00	94.00
VLX	1,500.00	1,480.00	1,460.00	1,440.00	Shanghai	10,000.00	9,900.00	9,800.00	9,700.00	FTSE/CAC 40	80.00	78.00	76.00	74.00
STX	1,000.00	980.00	960.00	940.00	Osaka	7,500.00	7,400.00	7,300.00	7,200.00	FTSE/IBEX 35	60.00	58.00	56.00	54.00

In Europe's crowded skies, Rockwell Avionics plays a key role in promoting safety and efficiency



AVIONICS • AIRCRAFT • TELECOMMUNICATIONS  
REFERENCE ELECTRONICS • AUTOMATION • GRAPHICS SYSTEMS

EUROPE					ASIA					AFRICA				
Index	Nov 29	Nov 28	Nov 27	Nov 26	Index	Nov 29	Nov 28	Nov 27	Nov 26	Index	Nov 29	Nov 28	Nov 27	Nov 26
EUROPE					ASIA					AFRICA				
FTSE 100	5,120.00	5,100.00	5,080.00	5,060.00	Nikkei 225	12,500.00	12,400.00	12,300.00	12,200.00	JSE 300	15,000.00	14,800.00	14,600.00	14,400.00
DAX	3,200.00	3,180.00	3,160.00	3,140.00	Hang Seng	8,500.00	8,400.00	8,300.00	8,200.00	FTSE/JSE	10,000.00	9,800.00	9,600.00	9,400.00
CAC 40	3,500.00	3,480.00	3,460.00	3,440.00	Shanghai	10,000.00	9,900.00	9,800.00	9,700.00	FTSE/ASX	12,000.00	11,800.00	11,600.00	11,400.00
IBEX 35	3,000.00	2,980.00	2,960.00	2,940.00	Osaka	7,500.00	7,400.00	7,300.00	7,200.00	FTSE/BSE	8,000.00	7,800.00	7,600.00	7,400.00
ATX	2,500.00	2,480.00	2,460.00	2,440.00	Seoul	6,000.00	5,900.00	5,800.00	5,700.00	FTSE/NSE	6,000.00	5,800.00	5,600.00	5,400.00
PSX	2,000.00	1,980.00	1,960.00	1,940.00	Taipei	5,000.00	4,900.00	4,800.00	4,700.00	FTSE/CSX	4,000.00	3,800.00	3,600.00	3,400.00
VLX	1,500.00	1,480.00	1,460.00	1,440.00	Hong Kong	4,000.00	3,900.00	3,800.00	3,700.00	FTSE/IBEX	2,000.00	1,800.00	1,600.00	1,400.00
STX	1,000.00	980.00	960.00	940.00	Beijing	3,000.00	2,900.00	2,800.00	2,700.00	FTSE/ATX	1,000.00	980.00	960.00	940.00
FTSE 100	5,120.00	5,100.00	5,080.00	5,060.00	Shanghai	10,000.00	9,900.00	9,800.00	9,700.00	FTSE/PSX	800.00	780.00	760.00	740.00
DAX	3,200.00	3,180.00	3,160.00	3,140.00	Osaka	7,500.00	7,400.00	7,300.00	7,200.00	FTSE/VLX	600.00	580.00	560.00	540.00
CAC 40	3,500.00	3,480.00	3,460.00	3,440.00	Seoul	6,000.00	5,900.00	5,800.00	5,700.00	FTSE/STX	400.00	380.00	360.00	340.00
IBEX 35	3,000.00	2,980.00	2,960.00	2,940.00	Taipei	5,000.00	4,900.00	4,800.00	4,700.00	FTSE/FTSE 100	200.00	180.00	160.00	140.00
ATX	2,500.00	2,480.00	2,460.00	2,440.00	Hong Kong	4,000.00	3,900.00	3,800.00	3,700.00	FTSE/DAX	100.00	98.00	96.00	94.00
PSX	2,000.00	1,980.00	1,960.00	1,940.00	Beijing	3,000.00	2,900.00	2,800.00	2,700.00	FTSE/CAC 40	80.00	78.00	76.00	74.00
VLX	1,500.00	1,480.00	1,460.00	1,440.00	Shanghai	10,000.00	9,900.00	9,800.00	9,700.00	FTSE/IBEX 35	60.00	58.00	56.00	54.00
STX	1,000.00	980.00	960.00	940.00	Osaka	7,500.00	7,400.00	7,300.00	7,200.00	FTSE/ATX	1,000.00	980.00	960.00	940.00

EUROPE					ASIA					AFRICA				
Index	Nov 29	Nov 28	Nov 27	Nov 26	Index	Nov 29	Nov 28	Nov 27	Nov 26	Index	Nov 29	Nov 28	Nov 27	Nov 26
EUROPE					ASIA					AFRICA				
FTSE 100	5,120.00	5,100.00	5,080.00	5,060.00	Nikkei 225	12,500.00	12,400.00	12,300.00	12,200.00	JSE 300	15,000.00	14,800.00	14,600.00	14,400.00
DAX	3,200.00	3,180.00	3,160.00	3,140.00	Hang Seng	8,500.00	8,400.00	8,300.00	8,200.00	FTSE/JSE	10,000.00	9,800.00	9,600.00	9,400.00
CAC 40	3,500.00	3,480.00	3,460.00	3,440.00	Shanghai	10,000.00	9,900.00	9,800.00	9,700.00	FTSE/ASX	12,000.00	11,800.00	11,600.00	11,400.00
IBEX 35	3,000.00	2,980.00	2,960.00	2,940.00	Osaka	7,500.00	7,400.00	7,300.00	7,200.00	FTSE/BSE	8,000.00	7,800.00	7,600.00	7,400.00
ATX	2,500.00	2,480.00	2,460.00	2,440.00	Seoul	6,000.00	5,900.00	5,800.00	5,700.00	FTSE/NSE	6,000.00	5,800.00	5,600.00	5,400.00
PSX	2,000.00	1,980.00	1,960.00	1,940.00	Taipei	5,000.00	4,900.00	4,800.00	4,700.00	FTSE/CSX	4,000.00	3,800.00	3,600.00	3,400.00
VLX	1,500.00	1,480.00	1,460.00	1,440.00	Hong Kong	4,000.00	3,900.00	3,800.00	3,700.00	FTSE/IBEX	2,000.00	1,800.00	1,600.00	1,400.00
STX	1,000.00	980.00	960.00	940.00	Beijing	3,000.00	2,900.00	2,800.00	2,700.00	FTSE/ATX	1,000.00	980.00	960.00	940.00
FTSE 100	5,120.00	5,100.00	5,080.00	5,060.00	Shanghai	10,000.00	9,900.00	9,800.00	9,700.00	FTSE/PSX	800.00	780.00	760.00	740.00
DAX	3,200.00	3,180.00	3,160.00	3,140.00	Osaka	7,500.00	7,400.00	7,300.00	7,200.00	FTSE/VLX	600.00	580.00	560.00	540.00
CAC 40	3,500.00	3,480.00	3,460.00	3,440.00	Seoul	6,000.00	5,900.00	5,800.00	5,700.00	FTSE/STX	400.00	380.00	360.00	340.00
IBEX 35	3,000.00	2,980.00	2,960.00	2,940.00	Taipei	5,000.00	4,900.00	4,800.00	4,700.00	FTSE/FTSE 100	200.00	180.00	160.00	140.00
ATX	2,500.00	2,480.00	2,460.00	2,440.00	Hong Kong	4,000.00	3,900.00	3,800.00	3,700.00	FTSE/DAX	100.00	98.00	96.00	94.00
PSX	2,000.00	1,980.00	1,960.00	1,940.00	Beijing	3,000.00	2,900.00	2,800.00	2,700.00	FTSE/CAC 40	80.00	78.00	76.00	74.00
VLX	1,500.00	1,480.00	1,460.00	1,440.00	Shanghai	10,000.00	9,900.00	9,800.00	9,700.00	FTSE/IBEX 35	60.00	58.00	56.00	54.00
STX	1,000.00	980.00	960.00	940.00	Osaka	7,500.00	7,400.00	7,300.00	7,200.00	FTSE/ATX	1,000.00	980.00	960.00	940.00

EUROPE		ASIA		AFRICA					
Index	Nov 29	Nov 28	Nov 27	Nov 26	Index	Nov 29	Nov 28	Nov 27	Nov 26
FTSE 100	5,120.00	5,100.00	5,080.00	5,060.00	Nikkei 225	12,500.00	12,400.00	12,300.00	12,200.00
DAX	3,200.00	3,180.00	3,160.00	3,140.00	Hang Seng	8,500.00	8,400.00	8,300.00	8,200.00
CAC 40	3,500.00	3,480.00	3,460.00	3,440.00	Shanghai	10,000.00	9,900.00	9,800.00	9,700.00
IBEX 35	3,000.00	2,980.00	2,960.00	2,940.00	Osaka	7,500.00	7,400.00	7,300.00	7,200.00
ATX	2,500.00	2,480.00	2,460.00	2,440.00	Seoul	6,000.00	5,900.00	5,800.00	5,700.00
PSX	2,000.00	1,980.00	1,960.00	1,940.00	Taipei	5,000.00	4,900.00	4,800.00	4,700.00
VLX	1,500.00	1,480.00	1,460.00	1,440.00	Hong Kong	4,000.00	3,900.00	3,800.00	3,700.00
STX	1,000.00	980.00	960.00	940.00	Beijing	3,000.00	2,900.00	2,800.00	2,700.00
FTSE 100	5,120.00	5,100.00	5,080.00	5,060.00	Tokyo	2,000.00	1,900.00	1,800.00	1,700.00
DAX	3,200.00	3,180.00	3,160.00	3,140.00	Manila	1,500.00	1,400.00	1,300.00	1,200.00
CAC 40	3,500.00	3,480.00	3,460.00	3,440.00	Bombay	1,000.00	900.00	800.00	700.00
IBEX 35	3,000.00	2,980.00	2,960.00	2,940.00	Colombo	500.00	450.00	400.00	350.00
ATX	2,500.00	2,480.00	2,460.00	2,440.00	Accra	200.00	180.00	160.00	140.00
PSX	2,000.00	1,980.00	1,960.00	1,940.00	Nairobi	100.00	90.00	80.00	70.00
VLX	1,500.00	1,480.00	1,460.00	1,440.00	Harare	50.00	45.00	40.00	35.00
STX	1,000.00	980.00	960.00	940.00	Windhoek	20.00	18.00	16.00	14.00
FTSE 100	5,120.00	5,100.00	5,080.00	5,060.00	Maputo	10.00	9.00	8.00	7.00
DAX	3,200.00	3,180.00	3,160.00	3,140.00	Luanda	5.00	4.50	4.00	3.50
CAC 40	3,500.00	3,480.00	3,460.00	3,440.00	Abuja	2.00	1.80	1.60	1.40
IBEX 35	3,000.00	2,980.00	2,960.00	2,940.00	Accra	1.00	0.90	0.80	0.70
ATX	2,500.00	2,480.00	2,460.00	2,440.00	Nairobi	0.50	0.45	0.40	0.35
PSX	2,000.00	1,980.00	1,960.00	1,940.00	Harare	0.20	0.18	0.16	0.14
VLX	1,500.00	1,480.00	1,460.00	1,440.00	Windhoek	0.10	0.09	0.08	0.07
STX	1,000.00	980.00	960.00	940.00	Maputo	0.05	0.045	0.04	0.035
FTSE 100	5,120.00	5,100.00	5,080.00	5,060.00	Luanda	0.02	0.018	0.016	0.014
DAX	3,200.00	3,180.00	3,160.00	3,140.00	Abuja	0.01	0.009	0.008	0.007
CAC 40	3,500.00	3,480.00	3,460.00	3,440.00	Accra	0.005	0.0045	0.004	0.0035
IBEX 35	3,000.00	2,980.00	2,960.00	2,940.00	Nairobi	0.002	0.0018	0.0016	0.0014
ATX	2,500.00	2,480.00	2,460.00	2,440.00	Harare	0.001	0.0009	0.0008	0.0007
PSX	2,000.00	1,980.00	1,960.00	1,940.00	Windhoek	0.0005	0.00045	0.0004	0.00035
VLX	1,500.00	1,480.00	1,460.00	1,440.00	Maputo	0.0002	0.00018	0.00016	0.00014
STX	1,000.00	980.00	960.00	940.00	Luanda	0.0001	0.00009	0.00008	0.00007
FTSE 100	5,120.00	5,100.00	5,080.00	5,060.00	Abuja	0.00005	0.000045	0.00004	0.000035
DAX	3,200.00	3,180.00	3,160.00	3,140.00	Accra	0.00002	0.000018	0.000016	0.000014
CAC 40	3,500.00	3,480.00	3,460.00	3,440.00	Nairobi	0.00001	0.000009	0.000008	0.000007
IBEX 35	3,000.00	2,980.00	2,960.00	2,940.00	Harare	0.000005	0.0000045	0.000004	0.0000035
ATX	2,500.00	2,480.00	2,460.00	2,440.00	Windhoek	0.000002	0.0000018	0.0000016	0.0000014
PSX	2,000.00	1,980.00	1,960.00	1,940.00	Maputo	0.000001	0.0000009	0.0000008	0.0000007
VLX	1,500.00	1,480.00	1,460.00	1,440.00	Luanda	0.0000005	0.00000045	0.0000004	0.00000035
STX	1,000.00	980.00	960.00	940.00	Abuja	0.0000002	0.00000018	0.00000016	0.00000014
FTSE 100	5,120.00	5,100.00	5,080.00	5,060.00	Accra	0.0000001	0.00000009	0.00000008	0.00000007
DAX	3,200.00	3,180.00	3,160.00	3,140.00	Nairobi	0.00000005	0.000000045	0.00000004	0.000000035
CAC 40	3,500.00	3,480.00	3,460.00	3,440.00	Harare	0.00000002	0.000000018	0.000000016	0.000000014
IBEX 35	3,000.00	2,980.00	2,960.00	2,940.00	Windhoek	0.00000001	0.000000009	0.000000008	0.000000007
ATX	2,500.00	2,480.00	2,460.00	2,440.00	Maputo	0.000000005	0.0000000045	0.000000004	0.0000000035
PSX	2,000.00	1,980.00	1,960.00	1,940.00	Luanda	0.000000002	0.0000000018	0.0000000016	0.0000000014
VLX	1,500.00	1,480.00	1,460.00	1,440.00	Abuja	0.000000001	0.0000000009	0.0000000008	0.0000000007
STX	1,000.00	980.00	960.00	940.00	Accra	0.0000000005	0.00000000045	0.0000000004	0.00000000035
FTSE 100	5,120.00	5,100.00	5,080.00	5,060.00	Nairobi	0.0000000002	0.00000000018	0.00000000016	0.00000000014
DAX	3,200.00	3,180.00	3,160.00	3,140.00	Harare	0.0000000001	0.00000000009	0.00000000008	0.00000000007
CAC 40	3,500.00	3,480.00	3,460.00	3,440.00	Windhoek	0.00000000005	0.000000000045	0.00000000004	0.000000000035
IBEX 35	3,000.00	2,980.00	2,960.00	2,940.00	Maputo	0.00000000002	0.000000000018	0.000000000016	0.000000000014
ATX	2,500.00	2,480.00	2,460.00	2,440.00	Luanda	0.00000000001	0.000000000009	0.000000000008	0.000000000007
PSX	2,000.00	1,980.00	1,960.00	1,940.00	Abuja	0.000000000005	0.0000000000045	0.000000000004	0.0000000000035
VLX	1,500.00	1,480.00	1,460.00	1,440.00	Accra	0.000000000002	0.0000000000018	0.0000000000016	0.0000000000014
STX	1,000.00	980.00	960.00	940.00	Nairobi	0.000000000001	0.0000000000009	0.0000000000008	0.0000000000007
FTSE 100	5,120.00	5,100.00	5,080.00	5,060.00	Harare	0.0000000000005	0.00000000000045	0.0000000000004	0.00000000000035
DAX	3,200.00	3,180.00	3,160.00	3,140.00	Windhoek	0.0000000000002	0.00000000000018	0.00000000000016	0.00000000000014
CAC 40	3,500.00	3,480.00	3,460.00	3,440.00	Maputo	0.0000000000001	0.00000000000009	0.00000000000008	0.00000000000007
IBEX 35	3,000.00	2,980.00	2,960.00	2,940.00	Luanda	0.00000000000005	0.000000000000045	0.00000000000004	0.000000000000035
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PSX	2,000.00	1,980.00	1,960.00	1,940.00	Accra	0.00000000000001	0.000000000000009	0.000000000000008	0.000000000000007
VLX	1,500.00	1,480.00	1,460.00	1,440.00	Nairobi	0.000000000000005	0.0000000000000045	0.000000000000004	0.0000000000000035
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VLX	1,500.00	1,480.00	1,460.00	1,440.00	Harare	0.00000000000000001	0.000000000000000009	0.000000000000000008	0.000000000000000007
STX	1,000.00	980.00	960.00	940.00	Windhoek	0.000000000000000005	0.0000000000000000045	0.000000000000000004	0.0000000000000000035
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DAX	3,200.00	3,180.00	3,160.00	3,140.00	Luanda	0.000000000000000001	0.0000000000000000009	0.0000000000000000008	0.0000000000000000007
CAC 40	3,500.00	3,480.00	3,460.00	3,440.00	Abuja	0.0000000000000000005	0.00000000000000000045	0.0000000000000000004	0.00000000000000000035
IBEX 35	3,000.00	2,980.00	2,960.00	2,940.00	Accra	0.0000000000000000002	0.00000000000000000018	0.00000000000000000016	0.00000000000000000014
ATX	2,500.00	2,480.00	2,460.00	2,440.00	Nairobi	0.0000000000000000001	0.00000000000000000009	0.00000000000000000008	0.00000000000000000007
PSX	2,000.00	1,980.00	1,960.00	1,940.00	Harare	0.00000000000000000005	0.000000000000000000045	0.00000000000000000004	0.000000000000000000035
VLX	1,500.00	1,480.00	1,460.00	1,440.00	Windhoek	0.00000000000000000002	0.000000000000000000018	0.000000000000000000016	0.000000000000000000014
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PSX	2,000.00	1,980.00	1,960.00	1,940.00	Windhoek	0.0000000000000000000001	0.00000000000000000000009	0.00000000000000000000008	0.00000000000000000000007
VLX	1,500.00	1,480.00	1,460.00	1,440.00	Maputo	0.00000000000000000000005	0.000000000000000000000045	0.00000000000000000000004	0.000000000000000000000035
STX	1,000.00	980.00							



INFORMATION FROM THE BANK OF ENGLAND

ISSUE OF £3,000,000,000

# 7½% TREASURY STOCK 2006

INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER  
FOR AUCTION ON A BID PRICE BASIS ON 6 DECEMBER 1995

PAYABLE IN FULL WITH APPLICATION

With a competitive bid  
With a non-competitive bid

Price bid  
£103 per £100 nominal of Stock

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 7 December 1995.

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite bids for the above Stock.

2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

3. The Stock will be repaid at par on 7 December 2006.

4. Stock issued under this prospectus will rank in all respects *pari passu*, and will be immediately fungible, with the existing Stock and will be amalgamated with the existing Stock in the Central Gilt Office (CGO) on issue and on the register on registration.

5. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the CGO Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Transfers will be free of stamp duty.

6. Interest is payable half-yearly on 7 June and 7 December. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be sent by post. This further issue of the Stock will rank for the full six months' interest due on 7 June 1996.

7. The Stock may be held on the National Savings Stock Register.

8. The Stock and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

9. Further, the interest payable on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

10. For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

11. Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inland Revenue, Financial Intermediaries and Claims Office, Fitz Roy House, PO Box 46, Nottingham, NG2 1BD.

12. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Management Act 1970, Section 43 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

13. It is intended that, if an official facility for the stripping of gilt-edged securities is introduced, the Stock will be stripable subject to the terms of that facility. On 10 July 1995 the Chancellor of the Exchequer announced that the Government had decided in principle to introduce such a facility and had also decided that any securities made stripable through any such facility would be exempt from withholding tax and from the quarterly accounting arrangements which it is intended to introduce in connection with sale and repurchase agreements for gilt-edged securities. The starting date for an official strips facility will be announced in due course.

14. Further details of the tax treatment of securities resulting from the stripping of stock of this issue will be determined at or prior to the commencement of an official strips facility. Accordingly, the availability and terms of the exemptions in paragraphs 8 to 12 above in relation to such stripped securities are subject to modification. Information about other proposed changes in the tax regime for gilt-edged securities is contained in the document referred to in paragraph 26 below.

## Method of Application

15. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with the prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Gilt-edged market makers may make competitive bids by telephone to the Bank of England not later than 10.00 am on Wednesday, 6 December 1995.

16. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than 10.00 AM ON WEDNESDAY, 6 DECEMBER 1995; or lodged by hand at the Central Gilt Office, Bank of England, Bank Buildings, 19 Old Jewry, London not later than 10.00 AM ON WEDNESDAY, 6 DECEMBER 1995; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than 3.30 PM ON TUESDAY, 5 DECEMBER 1995. Bids will not be revocable between 10.00 am on Wednesday, 6 December 1995 and 10.00 am on Monday, 11 December 1995.

## COMPETITIVE BIDS

(i) Each competitive bid must be for one amount and at one price expressed as a multiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of Stock and for a multiple of Stock as follows:-

Amount of Stock applied for	Multiple
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000

(ii) Unless the applicant is a member of the CGO Service, PAYMENT IN FULL AT THE PRICE BID must be made by a CHAPS payment. Each CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account number 58560009) quoting the reference "7HTY2006", to arrive not later than 1.30 pm on Thursday, 7 December 1995.

(iii) The Bank of England reserves the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decides that any competitive bid should be accepted (the lowest accepted price). APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES WHICH THEY BID: competitive bids which are accepted and which are made at prices above the lowest accepted price will be satisfied in full; competitive bids which

are accepted and which are made at the lowest accepted price may be satisfied in full or in part only.

## NON-COMPETITIVE BIDS

(i) A non-competitive bid must be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be for a multiple of £1,000 nominal of Stock.

(ii) Only one non-competitive bid may be submitted for the benefit of any one person, and each non-competitive application form may comprise only one non-competitive bid. Multiple applications or suspected multiple applications are liable to be rejected.

(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing PAYMENT AT THE RATE OF £103 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR must accompany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(iv) The Bank of England reserves the right to reject any non-competitive bid. Non-competitive bids which are accepted will be accepted in full at the non-competitive sale price. The non-competitive sale price will be EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED, the average being weighted by reference to the amount accepted at each price and ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.

(v) If the non-competitive sale price is less than £103 per £100 nominal of Stock, the balance of the amount paid on application will be refunded by cheque sent by post at the risk of the applicant.

(vi) If the non-competitive sale price is greater than £103 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price less £103 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of certificates to applicants from whom a further payment is required will be delayed until such further payment has been made.

19. The Bank of England may sell less than the full amount of the Stock on offer at the auction. Cancellation of a sale of Stock will not affect the non-competitive sale price or any other sale of Stock.

20. The Stock will be, and the previous issue of the Stock has been, initially issued at a price such that it will not be a deep discount security for the purposes of Schedule 4 to the Income and Corporation Taxes Act 1988. Further issues of the Stock may be at a deep discount (broadly, a discount exceeding ½% per annum) and in certain circumstances this could result in all of the Stock being treated thereafter as a deep discount security. However, it is the intention of Her Majesty's Treasury that further issues of the Stock will be conducted so as to prevent any of the Stock being treated as a deep discount security for United Kingdom tax purposes. Provided the Stock is neither a deep discount security, nor treated as a deep discount security, any discount to the nominal value at which the Stock is issued will not represent taxable income for the purposes of the relevant provisions.

21. The Stock will be issued in registered form and allotment letters will not be issued. Except in the case of Stock held for the account of members of the CGO Service (for whom separate arrangements apply), registration will be in accordance with the instructions given in the application form.

22. Certificates in respect of the Stock sold (other than amounts held in the CGO Service for the account of members) and the refund of any excess amount paid, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid or CHAPS payment received. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his cheque or receipt of his CHAPS payment, but such notification will confer no right on the applicant to transfer the Stock so allocated. Certificates will be sent by post at the risk of the applicant.

23. No sale will be made of a less amount than £1,000 nominal of Stock. If an application is satisfied in part only, the excess amount paid will, when refunded, be remitted by cheque despatched by post at the risk of the applicant; if an application is rejected the amount paid on application will be returned likewise. Non-payment on presentation of a cheque or non-receipt of a CHAPS payment on the due date in respect of any Stock sold will render such Stock liable to forfeiture. Interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1% per annum may, however, be charged on the amount payable in respect of any Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate.

24. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section C of the application form, request that any Stock sold to him be credited direct to his account in the CGO on Thursday, 7 December 1995 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 7 December 1995 shall for the purposes of this prospectus constitute default in due payment of the amount payable in respect of the relevant Stock.

25. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilt Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Donegal House, 7 Donegal Square North, Belfast, BT1 5LU; or at any office of the London Stock Exchange.

26. Attention is drawn to the press release issued by the Inland Revenue on 28 November 1995, providing details of reform of the taxation of gilts and bonds announced by the Chancellor of the Exchequer on 10 July 1995, and to the Government Statement referred to in the final paragraph of this prospectus.

## Government Statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29 May 1995 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND  
LONDON  
29 November 1995

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/we apply in accordance with the terms of the prospectus for competitive and non-competitive bids dated 29 November 1995 as follows:-

## FOR COMPETITIVE BIDS ONLY

(ie for Stock to be purchased at the price bid)

Nominal amount of 7½% Treasury Stock 2006 applied for: £

Amount of Stock applied for £500,000-£1,000,000 Multiple £100,000

£1,000,000 or greater £1,000,000

Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1:

£ 32nds

Sum enclosed (a), being the amount required for payment IN FULL AT THE PRICE BID: £

FOR NON-COMPETITIVE BIDS ONLY

(ie for Stock to be purchased at the non-competitive sale price as defined in the prospectus)

Nominal amount of 7½% Treasury Stock 2006 applied for, being a multiple of £1,000, with a minimum of £1,000 and a maximum of £500,000 nominal of Stock: £

Sum enclosed (b), being £103 (c) for every £100 NOMINAL of Stock applied for: £

FOR CGO MEMBERS ONLY

CGO PARTICIPANT NUMBER: Ta No.

Name of contact:

THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

I/we request that Stock sold to me/us be registered in the undermentioned name(s) and that any certificate be sent by post at my/our risk to the first-named holder at the address shown below and that interest payments be made in accordance with the instructions given below.

IN THE CASE OF A NON-COMPETITIVE APPLICATION, I/we warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of the persons on whose behalf I am/we are applying).

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION C, we request that any Stock allocated to us be credited direct to our account at the CGO. We hereby irrevocably undertake to accept such Stock by member-to-member delivery through the CGO Service from the Governor and Company of the Bank of England, Number 2 Account (Participant number 5183) by the deadline for such deliveries on 7 December 1995, and we agree that the consideration to be input in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the terms of the prospectus.

SIGNATURE(S) of, or on behalf of, applicant

Date:

REGISTRATION DETAILS

Stock may be registered in the names of individuals or a corporate body.

CAPITAL LETTERS PLEASE

Title Forename(s) in full Surname

Address

Postcode

Title Forename(s) in full Surname

Address

Postcode

For Bank of England use

Box No. 705 Exd. Transaction Number 1677

Batch Number New Account No. Cert. Posted Date

Daytime Telephone Number (in case there is a query)

NOTE: The Stock will be registered on the Bank of England Register, unless you wish the Stock to be registered on the National Savings Stock Register (NSSR) (for which there is a maximum limit of £25,000 nominal of Stock) or at the Bank of Ireland, Belfast, in which case please tick the appropriate box.

NSSR BELFAST

(a) Except in the case of members of the CGO Service who have completed Section C, a CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account Number 58560009) quoting the reference "7HTY2006", to arrive not later than 1.30pm on Thursday, 7 December 1995.

(b) A separate cheque must accompany each non-competitive application. Cheques should be made payable to the "Bank of England" and crossed "New Issues" and must be drawn on a bank in, and be payable in, the United Kingdom, Channel Islands or the Isle of Man.

(c) The procedure for any refund, or further amount payable, is set out in the prospectus.

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 AM ON WEDNESDAY, 6 DECEMBER 1995; OR LODGED BY HAND AT THE CENTRAL GILT OFFICE, BANK OF ENGLAND, BANK BUILDINGS, 19 OLD JEWRY, LONDON NOT LATER THAN 10.00 AM ON WEDNESDAY, 6 DECEMBER 1995; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND AND NOT LATER THAN 3.30 PM ON TUESDAY, 5 DECEMBER 1995.

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## NYSE COMPOSITE PRICES

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## Non-core holders on the fast track

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# NORTHERN IRELAND



Leading the peace (left to right): US president, Bill Clinton; John Hume, the SDLP leader; Irish prime minister John Bruton; British prime minister, John Major; David Trimble, the DUP leader; and Gerry Adams, the Sinn Féin president

## Hope lies in taste of peace

A year after the ceasefires, life has resumed an air of normality, say John Murray Brown and John Kampfner. But progress towards a lasting settlement is slow

The guns are silent. Peace in Northern Ireland is palpable but not secure. As President Bill Clinton embarks on his long-awaited visit to the province, attempts to anchor those gains with a new political settlement, which can win the allegiance of both unionist and nationalist communities, are making slow progress.

In the past 15 months, since the IRA announced its ceasefire on August 31, 1994, followed weeks later by loyalist paramilitary groups, two parallel processes have been taking place.

At one level, life has assumed a normality not previously experienced by an entire generation that has endured more than 25 years of "the troubles". Belfast, Londonderry and other towns have enjoyed a consumer boom, which has now been underlined by the recent decision of J Sainsbury, the UK food retailer to open seven stores at locations throughout the province. Inward investment is arriving steadily. Last week Montupet, the privately owned French car components company, announced a £142m expansion of its west Belfast plant, with the promise of almost 1,400 jobs for the Catholic nationalist blackspots, Twinbrook and Poleglass.

The UK government has been promoting the province

will encourage others.

Everyday changes on the ground have come in incremental stages. Nearly 2,000 British troops, representing half the emergency tour battalions, have been withdrawn. The Protestant-dominated Royal Ulster Constabulary, reviled and feared by many Catholics, has shed much of its armoury as it is forced to relearn the skills of community policing. The obtrusive paraphernalia of the British army presence is being dismantled, with the Rosemount security tower in the Bogside in Derry, where Mr Clinton will visit tomorrow, the latest eyesore to be removed. In short, as the memory of the bombs and shootings and other acts of violence recedes, so officials hope the sweet taste of peace will undermine the resolve of the terrorists, enabling the province's 1.5m people to continue to go about their daily business without fear and in expectation of better things to come.

It will not happen overnight. Community tensions persist, and have been reflected in a wave of arson attacks on churches and protestant Orange lodges during the summer. Paramilitary groups administer their own form of justice to members of their communities whom they consider to have transgressed their laws. Both governments have expressed concern at these punishment beatings, although officials have acknowledged that extensive reform of the RUC will also have to take place, along with a reassessment of Britain's emergency anti-terrorist legislation.

Much will depend on advances on the political front, the other strand of the process, which to many outsiders remains a netherworld of

1972. Margaret Thatcher and Garret FitzGerald broke the ice with their Anglo-Irish agreement in 1985. The document, in which Britain disavowed any "selfish" interest in Northern Ireland, was seen as laying the foundations for an eventual settlement.

A series of secret meetings between British officials and Sinn Féin in 1994 established the first links. Although the political atmosphere was improving slightly, the IRA's announcement of a ceasefire stunned the people of Northern Ireland. Sinn Féin activists celebrated: expectations were raised that an end of hostilities would lead to full political recognition.

British ministers have been more sceptical. First, they sought to assure themselves of the permanence of the IRA's move. Last March during a visit to Washington, Sir Patrick Mayhew, the Northern Ireland secretary outlined three conditions for Sinn Féin's participation in all-party negotiations: acceptance of the principle that IRA arms should be decommissioned; acceptance of ways this might be achieved; and a first step in handing over some of the weapons.

It was this last principle, which came to be known as "Washington Three", which went to the heart of the deadlock. Sinn Féin saw in it a device to secure a republican surrender. The British had sought by using the neutral term decommissioning to dispel such suspicions. But still they insisted on a physical transfer of weapons by the IRA to demonstrate good faith. The political process remained stymied for months, with Dublin and Washington becoming more worried and frustrated.

The government's room for flexibility on the arms issue has arguably been further curtailed, with the election in October of the protestant hard-liner David Trimble as leader of the Ulster Unionists, the province's largest party. The Sinn Féin president, Gerry Adams, has done little to bolster Unionist confidence by a series of threats of a return to violence. In the absence of any movement towards the talks table, the parties have resorted to posturing and megaphone diplomacy, further deepening the public's distrust of its elected politicians.

More worrying has been the potential damage to the frail Anglo-Irish relationship which came under intense strain in September when Mr Bruton cancelled a summit with Mr Major at the last moment. The two sides had appeared on the point of agreeing on a new strategy designed to circumvent the decommissioning impasse.

The "twin track" approach envisaged preliminary talks involving all of the province's parties with the British and Irish governments, and, concurrently, an international commission that would look into the question of arms.

All sides were happy to accept as the commission's chairman George Mitchell, a former senator who had become Mr Clinton's adviser on Northern Ireland's economy. But they could not agree on its remit or how firm a deadline they should set for the start of the round-table full negotiations to follow.

Britain maintained its insistence that it was not yielding on "Washington Three". It dismissed accusations of intransigence, however, pointing to a relaxation of prisons policy, making possible the early release of more than 50 paramilitary inmates, and to other measures designed to enable the province to return to greater normality.

As the British and Irish governments indulged in mutual recriminations, increasing hopes were pinned on Mr Clinton. Whatever the administration's success in brokering solutions in the Middle East and Bosnia, the Americans sought to play down their scope on Northern Ireland. Yet, the steady stream of politicians

from all parties to Washington testified to the importance of the US role. However, repeated attempts to bring influence to bear on Mr Adams seemed to yield little.

The consequences of failure would be immense for all concerned. For Mr Major, whose government has stumbled through a succession of crises, its majority at Westminster diminishing all the time, the handling of the Northern Ireland issue has, until recently, won consistent plaudits.

Labour has provided staunch support, making clear that whatever the calculations in parliament, it would never use the issue to try to bring down the government. The fate of Mr Bruton's coalition also rests on success.

The UK government is relying largely on the people of the province to bolster the peace. Each day without bombs makes a return to violence less likely. Each improved set of economic figures reinforces the process. Recent arms finds south of the border have served, however, only to underscore the fragility of what has been achieved so far.



Belfast city centre: a consumer boom is demonstrating renewed confidence

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■ Retailing: by John Murray Brown

## On the brink of revolution

Sainsbury's plan for seven shopping centres has highlighted the region's potential

J Sainsbury, the stores group, could be forgiven for feeling a little put out by what has been the less than enthusiastic response to its announcement in June that it was investing £100m in seven out-of-town shopping centres across the province.

Northern Ireland has often been seen as a convenient laboratory for untried government policies, but here was a pro-

posed development, its critics said, which would almost certainly not receive approval on the British mainland, where the company has had 10 of its last 12 planning applications rejected, and where the environment minister John Gummer has ruled against new out-of-town retail developments.

Mr Gummer's powers do not extend to Northern Ireland, which has its own environment minister. But the grumble of local stores groups is that planning rules are being bent to accommodate Sainsbury because of the importance of such a high profile investment for the peace process and the much vaunted

"feel good factor".

"The amount of attention has been a surprise," says Huw Williams, of the company's property divisions, who first learnt of a challenge to one of the company's site proposals when watching an interview with the senior planning officer on a local BBC programme.

For Sainsbury and the large UK multiples, the attractions are clear. In Northern Ireland, the retailing sector has remained relatively immune to the depredations of the "troubles", although the bomb damage to stores, as in the case of other commercial premises, has added considerably to insurance and other costs.

One of the anomalies of the Northern Ireland economy is that the province enjoys higher levels of disposable income than other parts of the UK, as a result of lower housing costs, in terms of both rents and mortgage rates.

The opportunity for growth is evident. Marks and Spencer's Sprucefield stores near Lisburn is its most profitable unit in the UK. Last year, all the city centre stores reported record Christmas takings, as security restrictions were lifted, and the province attracted shoppers from the Republic of Ireland, many of them coming to Northern Ireland for the first time.

Sainsbury's chosen sites are targeted not just at the population in the big urban centres, such as Belfast, but also seek to capture some of the demand from border counties, such as the Donegal hinterland.

The immediate beneficiaries will be Northern Ireland's consumers. But local suppliers should also see a growth in their business. Campbell Tweedie, of Dungannon Meats, which already supplies about 240m worth of goods a year to Sainsbury, says the deal will open the door to a UK market of 60m consumers.

Causeway Communications, the public relations firm acting for Sainsbury, claims surveys show an overwhelming public support for the plans.

"When the small supermarkets arrived, the corner shop went to the wall. Now it is their turn. Northern Ireland has been starved of good shops," says an accountant from Bangor.

Northern Ireland's annual grocery market is worth just 1.5bn and is growing at about 1 per cent. Margins are attractive, Sainsbury believes it can undercut the competition, and says it will be selling its products at prices 13 per cent cheaper on average than those in existing supermarkets.

The province has barely been touched by the retailing revolution that has hit the rest of the UK over the past decade. The opportunities for penetrating the market are good with multiples currently accounting for about 67 per cent of the trade, compared with 74 per cent in mainland Britain.

On product range, quality and price, local retailers are no match for the big sophisticated mainland players. Bar-code scanning and other computer aided logistical improvements to distribution have still to make big inroads in the province.

Sainsbury says it will initially service its operations from a distribution centre in Scotland, but a local warehousing network seems an inevitable development.

Given cheaper print runs, the company should have little difficulty re-arranging its packaging to suit the market. The province, having as it does its own television channels, should also provide a coherent unit for advertisers.

More critically, the penetration of owo-label products, which groups such as Sains-

**The opportunities for penetrating the market are good**

bury feel is their strength, has been much slower than in the rest of the UK.

Northern Ireland is still a broad-dominated market, according to Len O'Hagan, of Fitzwilliam, the investment vehicle of Irish-born businessman Tony O'Reilly that owns the Wellworths chain of stores.

Wellworths has been at the forefront of the campaign to oppose the project. Mr O'Hagan has found an unlikely ally in Ian Paisley, the hardline leader of the Democratic Unionists, who sponsored an early day motion in the House of Commons where he lambasted the attitude of the "Johnny come lately" retailers.

Together with the Northern Ireland shopping centre association, Wellworths has put out a video in order to highlight the dangers such projects present to the commercial life of small towns, entitled "Out of town, out of business".

Sainsbury has been a little taken aback at the critical reaction from many of the local chambers of commerce, which have successfully forced



Clear attractions: the sector has remained relatively immune to the depredations of the "troubles"

a number of full inquiries into the planning proposals.

The central question, posed by Sainsbury's critics, is whether the current size of the market can justify such a large investment.

Mr O'Hagan calculates that Sainsbury's plans are the equivalent of more than 380 new stores in the UK, where the total new store investment by the four main multiples is running at about 50 new stores.

Existing retailers are being forced to react. Wellworths is investing some £50m in devel-

oping its sites. There was some speculation that Tesco was bidding to steal a march on its mainland rival by buying out Stewarts and Crazy Prices, the Northern Ireland operations of Associated British Foods (ABF).

There are also concerns about the damage that would be wreaked on local employment and on the town centre trade.

"In contrast to Britain, Northern Ireland has retained its 'high street' character," says Mark Lusby, economic development officer at the

Derry City Council. "It is most important that this aspect of our townscape is not lost," he says.

Over the longer term, a new UK multiple is likely to be looking at the whole island market, in line with European trends where cross-border acquisitions have been increasing.

"I don't see how Sainsbury can avoid it," says Mary Blay, editor of *Clickout* magazine, the main trade journal. Dublin. "We are looking at British Isles market not just island of Ireland market."

■ Industry: by Tim Dickson

## Sales performance overseas is crucial

Exports are what count as far as the province's economic strength is concerned

The strength of the Northern Ireland economy - not least its ability to reduce a substantial trade deficit - depends largely on the export performance of local industry.

Figures most recently available to government - a statistical report produced for the Industrial Development Board and the Department of Economic Development by the Northern Ireland Economic Research Centre (NIERC) - are far from discouraging.

Total sales of Northern Ireland manufacturers in 1993/94 were estimated at £7.5bn, an increase of 4 per cent over the previous year and 15 per cent up on 1991/92. Of the 1993/94 total, £4.5bn, or 60 per cent of sales, were external to Northern Ireland (that is, to outside destinations, including the rest of the UK).

Over the two-year period 1991/92 to 1993/94, exports grew by 24 per cent, outperforming the 18 per cent growth in overall UK manufacturing exports.

This analysis is confined to the manufacturing sector and accounting periods which ended more than 18 months ago. When more recent figures come to be compiled early next year, however, the IDB's Celia Gourley expects the trend to be sustained.

Northern Ireland's buoyant economic performance before the terrorist ceasefire is confirmed by Leda, the economic agency which promotes small companies.

"For the year to March 1995," says Chris Buckland, chief executive, "we had one of our best years ever for jobs

and exports. Since the early 1980s, the small business population has been starting to out-perform equivalent businesses in other regions."

Mr Buckland attributes this to the fact that Northern Ireland did not experience the ups and downs of the 1980s, it has been protected to some extent by the size of the public sector (government departments are steady customers), and has had an industrial economy which has experienced severe erosion over a long period of time.

"What is left is resilient, gritty and determined," Mr Buckland says. Optimism is strong and investment intentions, according to the CBI, are positive - but new investment decisions take time. "Nobody among our clients has rushed to commit large sums of new money," says Mr Buckland, "but there has been strong start-up activity in the past few months and we have had a lot of inquiries about self-employment and interest in training schemes."

The biggest impact on local business of the "peace" has probably been felt in border areas around Newry and Londonderry, notably in craft industries, tourism and suppliers to local retailers.

NIERC figures show that food, drink and tobacco represent by far the biggest industrial sector in Northern Ireland, accounting for one-third of total sales and one-quarter of export sales. Local meat-processing plants, including Granville Meats, of Dungannon, have just won an exclusive order to supply the fresh meat requirements of the Dutch supermarket chain, Albert Heijn.

Transport equipment is next in importance, with slightly more than 10 per cent of manufacturing sales, followed by a range of sectors with high single-figure shares, including

textiles, electrical engineering, chemicals and clothing.

All agree that more can be done to speed up diversification away from the traditional British markets - but the skills and enterprise of Northern Irish firms have often been concealed by natural reticence and a tendency to keep heads down during the "troubles".

Given the region's size, local firms have plenty to celebrate. Recent weeks have seen:

- a £5m order for Rotary International, the Newtownabbey engineering group, to provide the temporary lighting and power systems for Hong Kong's new Chek Lap Kok airport (part of work for the whole project worth almost £100m won so far by Rotary, Lagan Holdings at Newtownabbey, and CEM, in Belfast);
- a £10.7m investment in two of its screening divisions by the Dungannon-based engineering group, Powerscreen International; and
- a £3m Italian contract for 20 Irish theme pubs by the Ballynahinch company, Blue Tree Refurbishment.

The neighbouring Irish Republic is by far the biggest market outside the UK, with NI sales up 35 per cent to £532m between 1991/92 and 1993/94. The trade imbalance with the south is estimated at £200-£300m, even though population and GDP fundamentals might suggest the balance ought to be the other way.

North America (exports up by 32 per cent over the period to £145m), south-east Asia (up 143 per cent to £134m) and the Middle East (up 48 per cent to £74m) are the markets on which the IDB has been concentrating its attention with trade missions. Normally, about 12 are organised each year but in view of Northern Ireland's new international prominence since the paramilitary ceasefires, 18 have been arranged for 1995/96.



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Tourism: by Tim Dickson

## Spirit of co-operation grows

Joint marketing efforts with the south are being increasingly used to attract visitors

The Belfast car hire receptionist seemed unusually helpful, readily looking up telephone numbers and organising a lift across town. Some would put this down to a brand of hospitality found everywhere on the island of Ireland. Others might attribute her helpfulness to the especially warm welcome reserved for travellers to Northern Ireland at the moment.

Locals have long been grateful to visitors undaunted by the damaging television images of 25 years of "troubles". Now, however, there is a sense that employees directly and indirectly engaged in the north's tourist industry have found a new purpose to their work, namely helping to cement the 15-month old peace process.

This year's influx of foreign visitors has encouraged those in Northern Ireland who believe the tourist industry can deliver rapid economic and employment growth.

Between January and June more than 150,000 holidaymakers descended on the province, a 36 per cent increase on the equivalent period in 1994.

About 1,700 jobs - most of them full-time - are estimated

More is at stake, though, than the permanence of peace. Over the next few years extra accommodation will be needed to house the anticipated increase in holidaymakers and avoid a repeat of the shortages experienced this summer.

The pressure was particularly felt in Belfast, where there were only 28 registered hotels and breakfast establishments at the start of the season, and in more outlying parts where the demand for self-catering outstripped supply. A Northern Ireland Tourist Board Helpline had to be set up with the pledge that stray visitors would be found a bed.

Juan O'Callaghan, principal of Connatut-based consultants JOCR Research, said in a recent survey on tourism in both parts of Ireland: "Traffic from the United States to Northern Ireland could escalate from 54,000 in 1994 to 135,000 by 2000 if Northern Ireland goes after that latent market potential aggressively, and if infrastructure is upgraded and new accommodation facilities are in place on an early timetable."

The signs are that the bigger hotel chains are starting to invest. About a quarter of Northern Ireland's hotel rooms have been built in the past five to six years, including the Radisson Roe Park in Limavady, complete with golf course and a spectacular north coast location, the new hotel at Aldergrove airport and the Marine Court at Bangor.

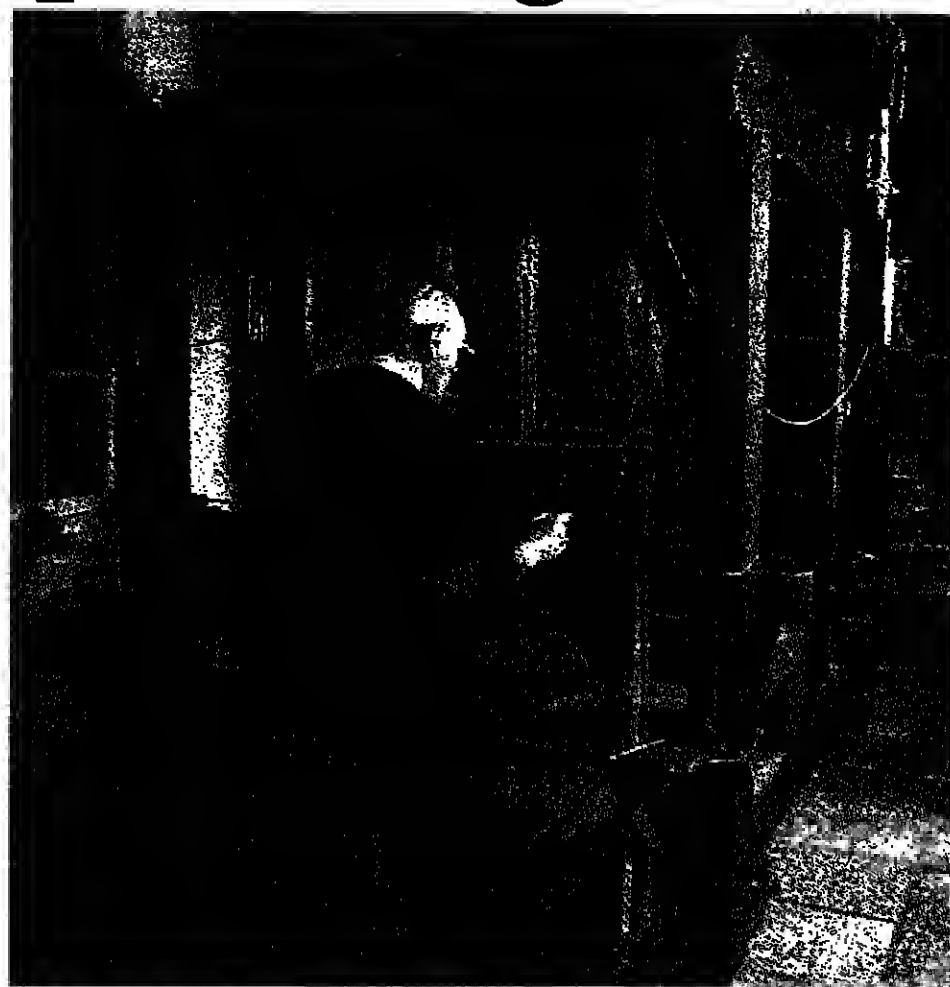
Hilton Hotels is committed to building a 187-room five-star hotel on the waterfront in Belfast. Holiday Inns has plans for Belfast and Londonderry, and Choice Hotels has started work on a site in Carrickfergus. All these will either be ready for next year or 1997.

"Unbranded" hotels that have been successful include the Calgarr Manor, near Ballymena, the Glenavon in Cookstown, the Manor House at Killybegs, near Enniskillen, and the Burrendale at Newcastle, County Down.

On the self-catering side high hopes are being invested in a plan to turn redundant farm buildings into accommodation, notably in areas such as the Glen of Antrim and South Down. Under the scheme the NITB takes a 21-year lease, helps market the property and subsidises the farmer's participation on a training course.

Tourism's success depends on the quality of the local attractions and the professionalism of the marketing effort.

According to Lord Rathcavan, chairman of the NITB, between £200m and £250m has



The Irish Linen Centre in Lisburn: the advent of peace means tourism has a chance to catch up

NITB

been invested in tourism infrastructure over the past seven or eight years, some £100m of it contributed by the European Union, the International Fund for Ireland and from the board's own resources. A second European programme - worth about £18m and targeted particularly at local council initiatives - runs from 1994 to 1999.

The Tower Museum in Derry (a heritage centre which has won several awards), the Exploris Aquarium in Portlough, the Irish Linen Centre in Lisburn, the Navan Centre and Trián in Armagh, the Omagh history park and the Ulster American Folk Park have all been among the recipients of public money.

Co-operation with the south increasingly looks like a viable way to exploit the north's tourist potential. After all, in the international tourism market both Northern Ireland and the Republic of Ireland have a similar appeal: population densities closer to Scandinavian averages than those of the European heartlands, ancient civilisations,

scenic beauty and environmental friendliness, and the same physical proximity to Britain and continental Europe.

An important breakthrough was made this autumn when the first ever all Ireland television and newspaper campaign - Best of Ireland from Top to Bottom - ran in two English television regions (including London) as well as in Scotland and the national press.

Previously NITB's promotional effort had been mainly concentrated on Scotland and the north of England.

Other cross-border marketing initiatives include a new accommodation classification scheme (tied in the north to a Tourism Development Scheme) and the EU-funded Gulliver advance booking system.

The co-operative spirit seems strong on both sides, and is no better illustrated than by the success of the first ever joint evening organised by NITB and Bord Fáilte, its southern counterpart, at this month's American Society of Travel Agents Conference.

Both sides are only too aware of the damage to confidence caused by the terrorist campaign. Northern Ireland's share of visitors to the island dropped from one in three to one in five in the late 1980s in response to the initial shock of violence - and proportionately it has never recovered.

Tourism in the south languished in the same shadow for years and only started expanding at a healthy rate in the second half of the 1980s.

According to the Economist, earnings from tourism in the republic grew faster than in any of the 15 other destinations surveyed between 1980 and 1992. Northern Ireland - with its extended season, rich heritage, golf and other attractions - now has a chance to catch up.

The cybersector: by Stephen McGookin

## The tentacles spread

A growing network of sites is leading to cross-community and business co-operation

The growing number of Internet users in Northern Ireland are being served by a burgeoning cybersector, as businesses have moved into online presences and personal user accounts have expanded beyond the academic base.

The best starting point for a virtual tour of the province is the Northern Ireland Information Centre ([www.nics.gov.uk/nitc](http://www.nics.gov.uk/nitc)) set up by the Belfast-based Genesis Project, which was established in March last year and is the province's leading Internet access provider, with points of presence in Belfast and Londonderry. Dermot Bradley of Genesis says the Internet culture has started to reach all sections of business, although it is still based in the technology sector.

From the Information Centre homepage, a link takes readers into the main Northern Ireland government web server ([www.nics.gov.uk](http://www.nics.gov.uk)), as well as offering extensive tourist promotional details from the NI Tourist Board (<http://is-engl.nitc.nics.gov.uk>).

An abundance of official information is available, of varying quality. The Northern Ireland Office provides weekly online information news sheets. The Industrial Development Board for Northern Ireland ([www.nics.gov.uk/cent-gov/ded/idb/home](http://www.nics.gov.uk/cent-gov/ded/idb/home)) is the organisation responsible for attracting and supporting investment into the province.

As well as a "Best of Northern Ireland" feature which offers sections outlining the province's infrastructure, it provides details of financial incentives available to potential investors, tax details and examples of average hourly earnings for engineering manual workers, translated into dollars, D-Marks and yen.

The IDB site also has details of the province's relevant economic indicators and an analysis of the recent upturn in foreign investment. In 1994-95, for example, the province won more than five times its per

capita share of all greenfield investment coming into the UK - some 15 per cent in all, according to the IDB.

Taken in combination with the Department of Economic Development's Directory of Services and Policy Review features ([www.nics.gov.uk/cent-gov/ded](http://www.nics.gov.uk/cent-gov/ded)), this is one of the most extensive background regional marketing services as yet available on the Internet.

As well as information for foreign investors - and possibly

homeless expatriates intrigued by Baroness Denton's returns business incentive scheme - there is data for resident business people. Also available through the same central government server is access to the Local Enterprise Development Unit, with details of the European Business Information Centre and Business Innovation Link aimed at entrepreneurs and SMEs, while the Northern Ireland Online Business Directory ([www.nics.gov.uk/nitc/ibc-directory](http://www.nics.gov.uk/nitc/ibc-directory)) is a brief but growing list of mostly high-tech business contacts.

For small businesses keen to develop an online presence, Unite ([www.unite.net/nitc](http://www.unite.net/nitc)) provides a design and Internet consultancy service.

As might be expected, there are impressive political resources, with the Genesis server providing links to pages for the Ulster Unionists, Sinn Féin and the Alliance party, as well as the Forum for Peace and Reconciliation and the joint British-Irish Framework Document.

The Irish News, a Belfast-based morning publication and the voice of constitutional nationalism can also be consulted ([www.irishnews.com](http://www.irishnews.com)). Its Internet presence is top-notch: rapidly updated, with excellent news, sport and business stories.

A recent addition to the province's virtual world - and again accessible from the Information Centre server - is the Public Records Office of Northern Ireland, which holds documents for the period from about 1600. They cover three main categories: government department records dating back to the early 19th century; local authority and court records; and records deposited

by private individuals, churches and businesses.

Selected publications can be ordered online, and, with the heightened interest in ancestry in this 150th anniversary year of the Irish famine and mass emigration, there are details of commercial genealogical research organisations, enabling browsers living abroad who might be searching for their family trees to take things a stage further before they make a physical trip to the "old country".

For details of coming events and recreational activities, excellent profiles are available for Belfast and other cities in the province through the InterKnowledge Travel Network ([www.interknowledge.com/northern-ireland](http://www.interknowledge.com/northern-ireland)), while the Armagh Planetarium (<http://stor.arm.ac.uk/planetarium.html>) has a global reputation for astronomical research and has an impressive range of links to other institutes around the world.

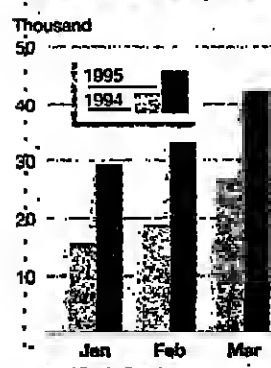
Academic information is available from Queens ([www.qub.ac.uk](http://www.qub.ac.uk)), the University of Ulster ([www.ulst.ac.uk](http://www.ulst.ac.uk)), home of the Centre for the Study of Conflict's register of 600 projects, as well as Londonderry's Magee College ([www.mcfm.ac.uk](http://www.mcfm.ac.uk)), which hosts the INCORE server on Conflict Resolution and Ethnicity.

Schools, too, are beginning to set up on the Web, with Our Lady & St Patrick's College in Belfast and Royal School, Armagh leading the way.

The potential for cross-community co-operation afforded by the new technology is immense: illustrated by the possibilities of CINNI, the province's community communications network linking 35 community groups covering subjects such as drug abuse, environmental action and employment projects.

Among the community ventures Genesis has assisted, for example, is the chain of four "Byrnes" Internet cafes in Belfast, sponsored by the Department of Education through its pump-priming Making Belfast Work initiative, and aimed at helping 16-25-year-olds who might otherwise be deprived of access to technology of this sort.

### Tourist Board enquiries



Source: NI Tourist Board

to have been created. And helped by June's record hotel occupancy levels, an earlier forecast that tourism revenues in 1995 would reach £220m - up from £180m last year - looks like being exceeded.

Given that tourism represents just 2 per cent of Northern Ireland's gross domestic product - against 6 per cent in Scotland and 7 per cent in the Republic of Ireland - 1997/98 targets of £350m in revenues and 8,000 new jobs do not look ambitious.

Development funds: by John Murray Brown

## The tug of war continues

The issue of how to allocate cash from the EU and other bodies remains contentious

If money alone were the solution for the Northern Ireland question, it would have been settled long ago.

After all, the province has never been short of assistance. The UK government alone provides £3.5bn a year in budgetary subsidies, which costs the UK taxpayer the equivalent of 2p in the pound on income tax. As a less developed region of the European Union, Northern Ireland receives structural and other funding from Brussels, and the so-called interreg programme, which is targeted at cross-border projects with the Irish Republic.

However, in the wake of the ceasefires, a new burst of enthusiasm has come from donors anxious to do their bit to underpin the peace process. The EU, the US and private funds such as the Ireland Fund, chaired by Tony O'Reilly, the Irish born businessman, are all dipping into their pockets.

In the same vein, the European Investment Bank is providing subsidised loans to small businesses in Northern Ireland and the six border counties. Even the government, in response to the new climate, has dropped its vetoing of local community groups, some of which it was alleged were acting as fronts for paramilitary organisations.

The money is to be used to help small businesses, to support community groups, enhance the tourism industry and improve the environment.

The EU's Community Initiative for Peace and Reconciliation, unveiled at the Essen summit by the then Commission president Jacques Delors, will for the first time target those most directly affected by the "troubles" under a "social inclusion" programme.

Part of the £340m programme is being disbursed in the form of grants to local part-

nerships between business, local community groups and local councils. Monika Wolf-Mathies, the regional aid commissioner, says the money will be used, for example, to help rehabilitate former paramilitary prisoners.

At a conference earlier this year in Belfast, organised by the European parliament, the Commission president Jacques Santer heard submissions from a range of community groups - from local arts bodies, to agricultural co-operatives to children's play-groups and organisations for the blind and disabled.

However, in a society divided by religion and national allegiance, the issue of aid is always likely to be contentious and the EU and the two governments are making slow progress deciding on the pro-

jects to be supported. Officials now say the first funding will probably not be disbursed before the second quarter of 1996.

"There is always going to be a tug of war over who controls the money," says Mr Eamon Hanna, of the west Belfast Phoenix development trust.

Such problems are all too familiar to the International Fund for Ireland - set up by the UK and Irish governments in the wake of the Hillsborough agreement in 1985. The US Congress is expected to approve a further \$15.6m for 1996. With money from the EU and smaller donations from Canada, Australia and New Zealand, the IFI has disbursed about £270m to more than 3,000 projects.

The IFI's portfolio ranges from the refurbishing of shop-

fronts in bomb-hit town centres to funding for the proposed Springvale university campus on the peace line in west Belfast - a project which is currently on hold.

The IFI money is often used as start-up capital with which to support projects which would otherwise not have been considered. A good example is the Shannon-Erne waterways project which cost a total of £30m - the largest portfolio coming from the Irish government - which IFI supported at feasibility stage.

Without this it is doubtful whether the two governments would ever have undertaken the scheme. The IFI also has an affiliated company - Enterprise Equity - which provides venture capital to business start-ups.

The IFI has a narrow mandate to promote dialogue and reconciliation. It has been criticised by unionists for favouring projects in nationalist areas - a charge contradicted by accountants KPMG in an independent report in May this year.

The IFI is adamant that it has been even handed. Officials point out that it was ready to fund the renovation of a heritage centre for the loyalist Apprentice Boys in Derry, until the hardline unionist MP the Rev Ian Paisley blocked the deal. It drew some fire from republicans for aiding a memorial centre to the Battle of the Somme at Newtownards, where many Ulstermen died.

The IFI has also been criticised for allocating funds to big institutions to refurbish their branch offices - often in towns which have bombed by the IRA. And in a recent controversy, the fund attracted some attention for plans to support a local bookmaker.

Tom Russell, the Irish civil servant who manages the operation in Dublin says that, given his small staff, it is not feasible to conduct a means test. If a proposal is seen to increase commercial confidence, then it would be likely to be looked at. "We must be seen to be project driven," he says.

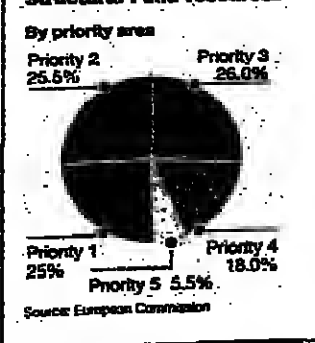
### EU structural funds

A total of Ecu1,333bn (about £1bn) has been set aside by the European Union from its structural funds for 1994-1999 to speed up economic development in the province. Priority areas identified are:

- One: promotion of economic development and competitiveness. Includes aid to industry, local economic development, R&D and technology transfer.

- Two: investment in communities and people. Measures aimed at improving the physical and social environment.

Structural Fund resources



Source: European Commission

ment, tackling community divisions, and offering training for school leavers.

- Three: reducing the effects of peripherality. Development of transport infrastructure, through rail and road transport, European networks, port and airport developments, and improvements in energy supply, including gas and electricity interconnection with Scotland.

- Four: development of agriculture, fisheries and the rural economy. Improvement of the rural environment and regeneration of the rural economy, with attention to the agri-food industry, and fishing modernisation and marketing schemes.

- Five: protection and enhancement of the built environment. Improvements to the water supply and waste water treatment, and environmental protection measures.

Further information: European Commission, Directorate General for Regional Policies, Rue de la Loi 200, B-1049 Brussels.

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## LONDON STOCK EXCHANGE

## MARKET REPORT

## Footsie retreats after reaching intraday record

By Steve Thompson,  
UK Stock Market Editor

An overnight rethink about the financial and political implications of the Budget, plus mortgage rate cuts by leading lenders and a sprinkling of bid rumours, drove UK equities to record highs yesterday.

The leading issues failed to hold their best levels, however, reacting to yet another bout of downside pressure affecting sterling, which equalled its record low against a basket of international currencies.

Another important factor behind London's upward move was the highly impressive rally on Wall Street on Tuesday evening, when

the Dow Jones Industrial Average saw an early 40-point-plus slide transformed into a closing seven-point gain.

The Dow's overnight recovery was said by most dealers to have been the main influence in the marketplace at the outset of trading, although it was also suggested that the chancellor's proposals had been given an element of grudging respect for not caving in to calls for a "giveaway" Budget.

Talk around the City's trading desks suggested that the Budget had done nothing to dissolve expectations of a UK interest rate cut in the near future. There remained keen hopes in London of a reduction

in German interest rates, with brokers saying the odds favoured a half-percentage point cut today, following the meeting of the Bundesbank council in Frankfurt.

Both the FT-SE 100 and the FT-SE All-Share indices ended at all-time closing highs of 3,655.5 and 1,784.81 respectively, while the FT-SE Mid 250 index settled 9.3 ahead at 3,951.0. Dealers pointed out that the second liners had performed well during the session, attracting solid buying interest throughout, and avoided much of the churning seen in many of the FT-SE 100 stocks.

Much of the morning saw market-makers, who went into the Budget

running slightly short trading books, chasing stock, amid rumours that a mortgage rate cut from the Halifax Building Society was imminent and that a rate reduction in Germany was on the cards.

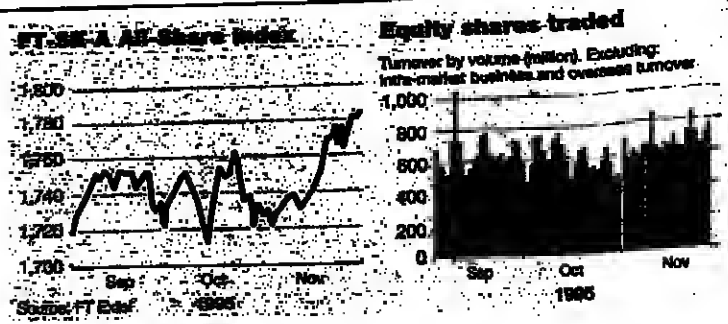
The Footsie opened some 12 points higher and made rapid progress in early trading, eventually reaching an all-time intraday peak of 3,671.0 in mid-morning.

A relatively uninspiring opening by Wall Street, renewed pressure on sterling, a gradual erosion of some of the earlier gains in gilts, and selling in the futures market, saw share prices slip back to finish only moderately ahead. This was in spite of confirmation that the Halifax

Building Society, Abbey National and others had lowered their mortgage rates.

The latest takeover stories were focused on Standard Chartered, where there were hints that Commerzbank, the German bank, had tabled an offer. Specialists insisted, however, that the rise in the stock came in the wake of a number of broker recommendations, and a stock shortage caused by a recent US buyer of a block of 6m shares.

Turnover in equities reached 817.1m shares by 6pm, with non-Footsie stocks accounting for some 80 per cent of the total. Customer business on Budget Day was £2.1bn, the third highest for two weeks.



Indices and ratios				FT Ordinary Index				FT-SE All-Share Index				FT-SE Mid 250 Index			
FT-SE 100	3655.5	+8.7		2675.3	-0.8			1658	(16.88)			3655.0	+3.0		
FT-SE Mid 250	3951.0	+9.3		SE-A Non Fine p/a				7.59	(7.02)						
FT-SE A 350	3655.0	+9.5		100% Put. Cat											
FT-SE A All-Share	1784.81	+3.20		10 y Gilt yield											
FT-SE A All-Share yield	3.79	(3.79)		Long gilt/quality yield ratio:											
Best performing sectors				Worst performing sectors											
1 Other Serv. & Bus.	+1.8			1 Tobacco	-1.8										
2 Exp. Exploration & Prod.	+1.5			2 Spirits, Wines & Cds.	-1.1										
3 Bus. & Construction	+1.1			3 Breweries	-1.1										
4 Banks, Retail	+1.0			4 Household Goods	-0.9										
5 Diversified Inds.	+0.9			5 Transport	-0.8										

Bid talk  
in banks  
sector

Banking group Standard Chartered was once again a strong market feature, as a mixture of stories combined to drive it to an all-time high.

The shares closed 16 ahead at 586p after breaking through the 58 barrier and touching a peak 60p at one point, making it one of the day's best Footsie performers, with volume amounting to 5.2m by the close. The return of bid speculation was a factor in yesterday's sharp rise and German group Commerzbank is the latest to join the growing list of would-be suitors for the UK bank.

Only last week, CS Holding, the Swiss group, denied market talk that it was lining up a bid for Standard Chartered. However, analysts suggested that any such takeover move would be expensive, with a price tag of around £2bn placed on the banking group.

Market watchers also pointed to a continued shortage of stock following last week's successful presentations by Standard Chartered to both brokers and institutions, ahead of its closed period which starts in December.

One story doing the rounds is that a US investor had recently bought 6m shares. The investor is said to favour the quality of earnings and Standard Chartered's regional franchise in Asia.

## Enterprise hints

Oil exploration leader Enterprise Oil raced ahead as vague takeover talk met with something of a stock shortage. There was said to be genuine institutional buying and the stock jumped 13 to 356p in above average turnover of 3.6m shares.

It was the day's best Footsie performance and was seen by some brokers yesterday as just another chapter in a volatile six months for Enterprise. The shares stood at 42p in May.

But the talk was mostly bullish against a background of oil price strength. Brent Blend is holding above £17 a barrel, and two US brokers have recently turned positive on the shares. There were hopes too for good news shortly from Italy, where Enterprise has a number of interesting wells under way.

A general marking down combined with a negative broker stance to reverse the previous day's gains in leading spirits companies.

The sharpest fall was in Guinness, which gave up 10 to 450p, leaving it the day's worst performer among FT-SE 100 constituents. Allied Domecq surrendered 6 to 504p and Grand Metropolitan 5 to 434p.

The slide started early as traders reversed Tuesday's mark-up which followed news that the chancellor was reducing the duty on spirits.

Comments from Kleinwort Benson only served to add to the negative sentiment. Mr Guy Farmer at the securities

house said: "The vast majority of the gains from the reduction in duty are likely to be passed on by the companies because of pressure from both consumers and retailers. Thus the effect of the reduction is negligible."

Figures and comments from Seagram, the Canadian spirits group, added to the gloom in UK spirits shares. Seagram yesterday reported a third-quarter loss due to a re-engineering charge and said the global outlook is for slow growth in spirits and wine.

Mobile phones group Vodafone moved ahead strongly, following a positive change of stance from ABN Amro House Govaert.

The broker, spurred by news from Greece as the group whisked analysts around its international operations, moved from "hold" to "undervalued" on the shares, which ended 5 higher at 223 1/4p.

Other media stocks on the move yesterday included Capital Radio, following a positive note from Panmure Gordon. The broker said advertising-sensitive stocks continued to offer good value, with Capital capable of converting almost 90 per cent of marginal advertising revenue into profit.

Capital gained 2 1/2 to 504p in turnover of 2.3m, the second highest on record, and Children's Radio put on 22 to 410p.

In the rest of the banking sector, Abbey National moved ahead 17 to 635p in trade of 6m after it announced a reduction in its variable mortgage rate.

There were buyers of the stock on hopes of a general reduction in UK interest rates and sentiment continues to be boosted by a clutch of brokers' recommendations made earlier this week.

International conglomerate Hanson, a weak market lately with worries about potential profits, saw a renewed positive sentiment, moved up 4 1/2 to 192 1/2p in 12m traded. The group puts out an annual

report in January and has been heavily traded options volume too.

Vodafone has a 45 per cent stake in Panafon, half of the Greek cellular duopoly. According to ABN, operating margins in the fast growing Greek cellular market are some 10 per cent wider than in the UK.

Building materials group Radland moved sharply up the Footsie rankings, as the market placed bets on an interest rate cut today by the Bundesbank.

Both Radland and rival building supplies group RMC moved more than half of their profits from Germany, where trading conditions have grown increasingly tougher in recent months. Radland warned in June that German earnings were slowing.

Hopes for an easier trading climate in Germany sent Radland up by 12 to 387p yesterday.

## FINANCIAL TIMES EQUITY INDICES

	Nov 29	Nov 28	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23	Nov 22	Nov 21	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14	Nov 13	Nov 12	Nov 11	Nov 10	Nov 9	Nov 8	Nov 7	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2	Nov 1	Oct 31	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Oct 25	Oct 24	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9	Oct 8	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Oct 1	Sept 30	Sept 29	Sept 28	Sept 27	Sept 26	Sept 25	Sept 24	Sept 23	Sept 22	Sept 21	Sept 20	Sept 19	Sept 18	Sept 17	Sept 16	Sept 15	Sept 14	Sept 13	Sept 12	Sept 11	Sept 10	Sept 9	Sept 8	Sept 7	Sept 6	Sept 5	Sept 4	Sept 3	Sept 2	Sept 1	Aug 31	Aug 30	Aug 29	Aug 28	Aug 27	Aug 26	Aug 25	Aug 24	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15	Aug 14	Aug 13	Aug 12	Aug 11	Aug 10	Aug 9	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1	July 31	July 30	July 29	July 28	July 27	July 26	July 25	July 24	July 23	July 22	July 21	July 20	July 19	July 18	July 17	July 16	July 15	July 14	July 13	July 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# AUSTRALIA



John Howard, opposition leader like the prime minister, he will find selling his economic message tough

## Voters resist the political circus

Electoral brouhaha cannot disguise the fact that the government has yet to complete its programme of economic reform, writes Nikki Tait

Australians have been treated to some entertaining theatre in the past few months. With a federal election looming, Mr Paul Keating, the country's mercurial prime minister, has switched on his most persuasive charm, and scuttled from radio interview to TV chat show.

Hard on his heels - literally - has been Mr John Howard, leader of the opposition, a coalition of conservative Liberal and National parties. "Would it help if I gave you my itinerary?" Mr Keating is reported to have said as the politicians passed each other in one radio station corridor.

The effect of these sales

itches has been hard to gauge. The Labor government has trailed the opposition by 5 to 10 percentage points in the opinion polls for most of 1995. Since pre-election campaigning began, there have been signs of this gap narrowing. But a survey conducted by McNair in early November suggested that 29 per cent of those who favoured Labor at the last election would vote differently this time round. For the coalition, the same figure was just 12 per cent.

The problem is that, no matter how beguiling the electoral vaudeville, many voters seem to sense that the main plot lies elsewhere. According to the same McNair poll, three-quarters of respondents ranked the economy as their biggest concern.

The government's task on this score is to persuade Australians that policy fatigue has not set in. By the time the election takes place, Labor will have been in power for 13 years. When the party first took office it set a radical economic agenda. It brought down

tariff walls; floated the currency; and deregulated the financial markets. If the business community was initially wary of a Labor administration, it soon changed its mind.

Today, though, the significantly more open Australia that resulted from this restructuring has to measure up against the best world standards. It must do so from a relatively small domestic base - 18m consumers - and without the pool of cheap labour found in many of its Asian neighbours. Its one big advantage is its rich natural resource endowment. But unless this can be used to develop downstream activities the country will remain heavily exposed to risks from commodity price cycles and climatic vagaries.

From a short-term perspective, the economic situation is scarcely alarming. Australia's annual growth rate, which rose to around 6 per cent in late 1994 as the country pulled out of recession, has since declined. Nevertheless, at the time of going to press it remained a respectable 3.7 per cent.

Inflation has risen to a headline rate of 5.1 per cent, while the underlying rate of 3.1 per cent is marginally above the Reserve Bank's desired 2.5 per cent band. At 5.3 per cent, so, too, is wages growth. But neither market is wildly out of line. Only unemployment remains ugly, stuck in the 8.5 to 9 per cent range.

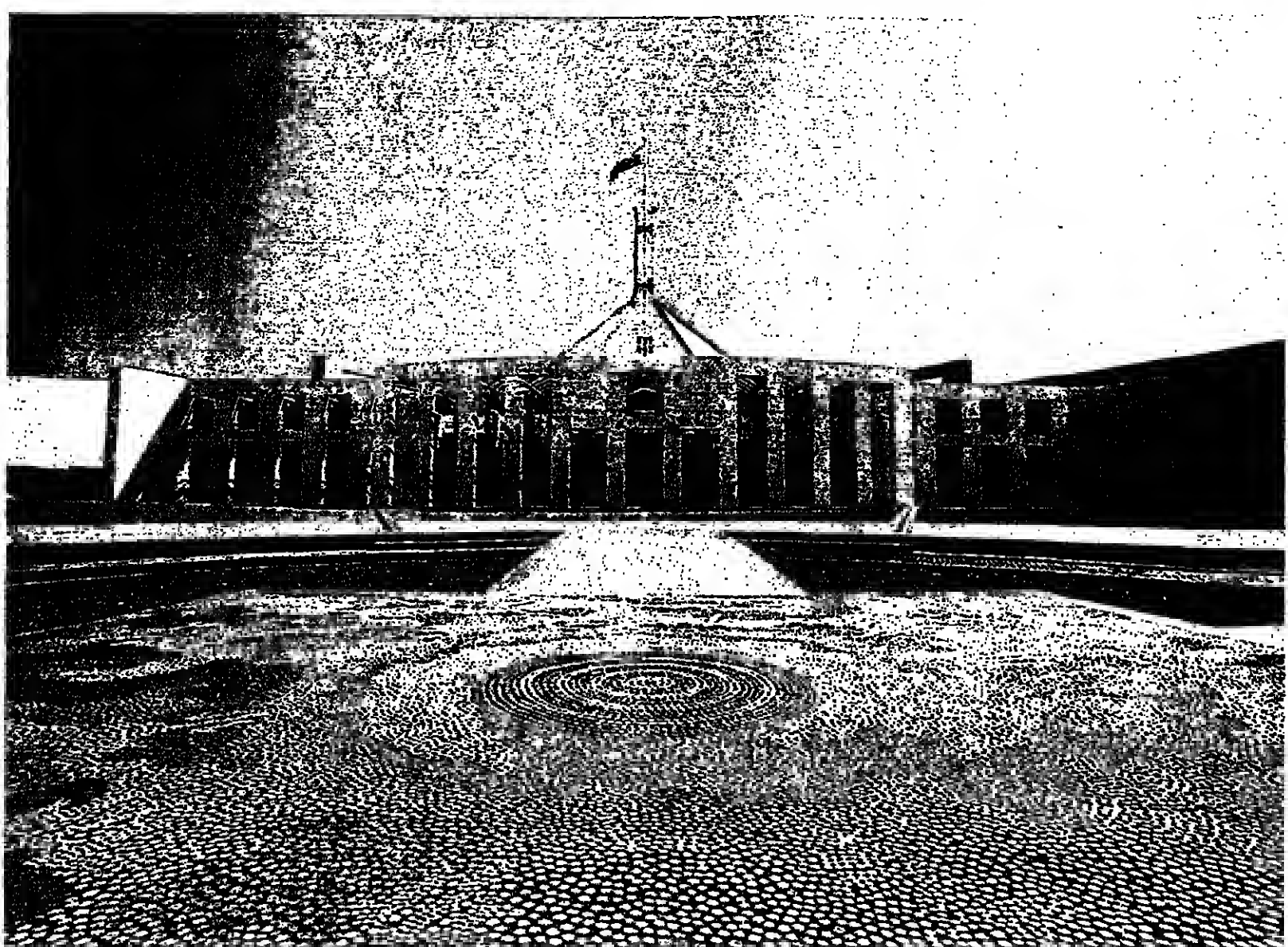
The much bigger worry is a long-term one - namely, that structural deficiencies and a tardiness in tackling some areas for political reasons, are still forcing Australia to live with lower growth, higher interest rates and larger levels of unemployment than it would otherwise experience. If this view is widespread among the electorate - and many commentators believed that worries about interest rates explained a double-digit swing against the government in the Canberra by-election earlier this year - the political climate could change.

The country's most obvious remaining difficulty is imports. As soon as the growth rate quickened, Australia lurched towards a balance of payments crisis. In May this year, the monthly current account deficit topped A\$3bn for the first time, and in the 1994-1995 financial year the A\$27bn deficit amounted to about six per cent of gross domestic product.

Measures taken to slow the economy - notably, three interest rate rises in late 1994 - have reduced the import side of the equation. More fundamentally, the government has also announced initiatives aimed at lifting the country's savings ratio via a requirement that workers put part of their wage packets into superannuation. This will start to take effect in 1997-1998, and is likely to further boost Australia's pension fund industry.

In addition, the government is attempting to move its own finances into balance in 1995-1996 - although it will only manage this after a substantial A\$6.3bn of asset sales, which ever Mr Kim Beazley, the finance minister, has admitted will now be tough to achieve. Meanwhile, efforts to lift exports continue. The main political objective here is to secure lower tariff barriers in the neighbouring Asian region, principally through the Asia-Pacific Economic Forum discussions.

Many critics are worried not about the thrust of these policies, but about the urgency with which they have been, and are being, pursued. The savings ratio has fallen from



Parliament House, Canberra, where, it is feared, the government is starting to suffer from restructuring fatigue

9.7 per cent in 1984-1985 to 3 per cent in 1994-1995. Yet it will be the year 2000 before the requirement that employees contribute 3 per cent of their wages to retirement savings comes into full effect. The likely slippage in government budgetary arithmetic this year scarcely smacks of the toughest fiscal discipline.

The message that we've been getting for some time is that Australia needs to lift its game and be more serious about reducing its debt, improving its balance of payments and increasing its savings," remarked Mr John Prescott, head of BHP, Australia's largest company, earlier this year.

Related to this is the second structural problem. A question still hangs over the efficiency of Australia's domestic infrastructure - telecommunications, shipping, and utilities. Many of these sectors were shielded from scrutiny in the days of high tariffs. Today, they are critical to the competitiveness of Australian exporters, notably manufacturers.

They also influence the country's ability to attract inward investment, and sell itself as a stepping stone into the flourishing Asian region.

Again, the reform record is mixed. For some years the Bureau of Industry Economics has compared the performance of Australia's infrastructure industries against international standards. "The key result," it said in its 1995 overview, released this month, "is that while progress has been made in some areas of micro-economic reform, much remains to be done."

"International best practice is a moving target and we have to run fast to keep pace," the report continues. "The fact that we have actually stepped backwards in waterfront container handling and aviation, while the rest of the world has been moving ahead, must be a cause for concern."

It concludes: "Relaxing the pace of reform or letting the process falter would see Australia fall back into the trailing group of international also-rans."

This is not just a federal matter. A number of infrastructure industries - such as electricity, for example - lie in the hands of Australia's highly independent state governments. They have bargained hard for additional federal funds before finally signing up to the national competition policy earlier this year.

Nevertheless, aviation, telecommunications and the waterfront are areas that come under the federal government's direct control, and where the BIE report's authors found scope for improvement. If the government has an uphill task selling its economic message to the electorate, the opposition is scarcely better placed. It has to explain to Australians what it would do differently without implying that harsh medicine is part of its prescription. One obvious policy instrument - some form of sales tax - was advocated by the coalition at the last elec-

tion. Voters' aversion to this proposal is thought to have been partly responsible for Labor's victory. The policy has been discarded from the outset this time.

The coalition must also explain how it would negotiate with the powerful union movement and forestall the kind of wage inflation that has dogged Australia in the past. Labor, by contrast, has formed a series of highly successful compacts with the unions throughout its

13 years in office. As a result the unions have agreed to a degree of wage restraint in return for the government's promise of continued commitment to progressive social policy.

There is little doubt that the government can point to a more pioneering social agenda - whether it is the clearly delineated stance on an Australian republic, racial equality, women's rights, or the efforts to make some kind of

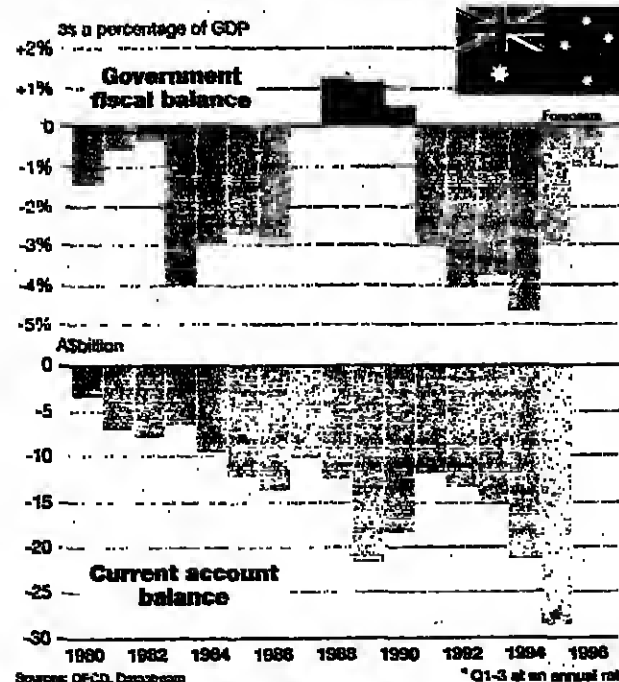
peace with Australia's indigenous community.

On all these scores, the most the coalition has offered so far is a series of cosy platitudes, with a broad emphasis on non-controversial areas such as family values and raising productivity.

It explains this absence of policy detail as an election strategy, designed to prevent another early hatchet job by its opponents, which will be rectified when the real cam-

paign gets going.

In summary, then, Australia could be represented as standing, not at the proverbial crossroads, but at a T-junction. Both roads are signposted to much the same place - an El Dorado of higher exports, greater efficiency, improved national savings, and increasing engagement with Asia-Pacific. One road, though, seems to bend and have a sprinkling of potholes. The other is blanketed in fog.

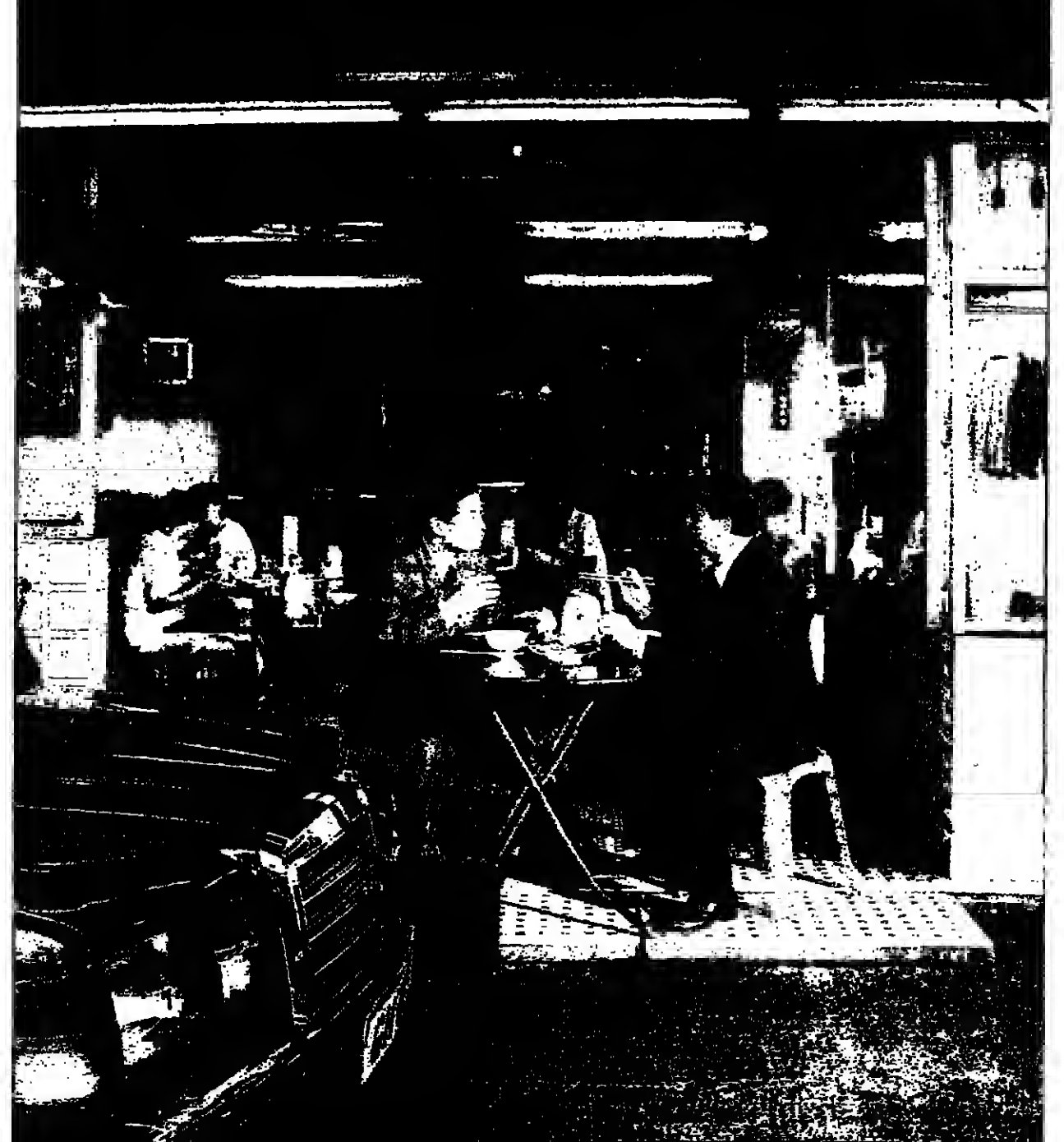


Source: OECD, Datastream \* Q1-Q3 of an annual rate

KEY FACTS		
Area	7,682,300 sq km	
Population	17.8 million	
Head of state	HM Queen Elizabeth II	
Currency	Australian Dollar (A\$)	
Exchange rate	31/12/94 US \$1=1.2894 A\$	
	31/10/95 US \$1=1.3145 A\$	
ECONOMY		
Total GDP (\$bn)	442.4	458.5
Real GDP growth (%)	5.0	2.6
Components of GDP (%)		
Private Consumption	61.7	62.6
Total Investment	21.8	21.7
Government Consumption	17.7	17.7
Exports	18.9	18.7
Imports	20.0	21.7
Annual % increase in:		
Consumer prices (%)	1.9	4.2
Ind. production (%)	8.0	4.1
Employment (%)	3.2	4.3
Earnings (%)	3.0	3.2
Share prices (%)	-10.0	+2.1
3 month T-bill rate (%)	6.2	7.5
10 year bond yield (%)	10.0	8.6
Unemployment rate (%)	9.0	8.2
Trade (A\$ bn)		
Current account balance	-21.3	-19.9
Exports	64.1	52.8
Imports	85.4	58.1
Trade balance	-4.4	-5.3
Main trading partners (%)		
Japan	24.4	17.6
USA	7.2	2.8
New Zealand	7.0	22.1
Singapore	8.8	5.0
UK	5.3	3.3
EC	2.5	6.0
	10.5	22.7

(1) First half of 1995.  
(2) Employment growth first quarter 1995  
(3) Annual % increase in FT-A index at Dec 94, Oct 95.  
(4) Interest rates & Unemployment Dec 94, Oct 95  
(5) Trade Jan-Sep 1995 only  
(6) Percentage share of trade in 1994  
Source: IMF, World Bank, Datastream.

Everything has changed. Except the relationship, and the barbecued duck.



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**4 pm close November 20**

Continued on next page

**Have**



Capital markets by Peter Montagnon

## Sydney enters global fray

The exchanges are fighting for a greater share of international securities trading

Financial centres to the Asia-Pacific region are keeping an eye on Hong Kong these days. All hope to benefit if, as many expect, international business migrates from the colony once it reverts to Chinese rule in 1997.

Malaysia and Singapore have thus begun to push forward with fund management. Australian markets, too, are working hard to compete. The idea that Sydney might find favour with international institutions may seem a little far-fetched given the large distances involved - it is seven hours flying time to Singapore. But it does have certain advantages as Bankers Trust's recent decision to make Sydney its regional headquarters for Asia has shown.

Whether or not Sydney has the capacity to become the leading financial centre in the region after 1997 matters less

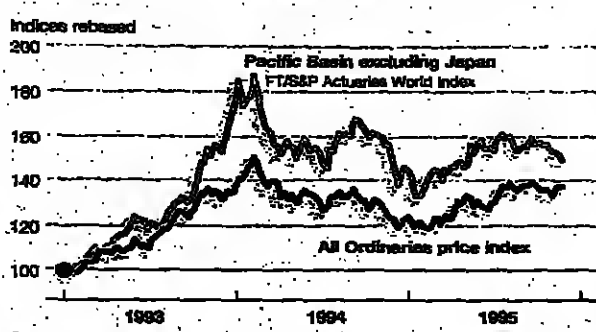
than the fact that most other centres are competing strongly for business. Australia cannot avoid entering the fray if it is to retain the critical mass needed to survive. Both its two main markets, the Australian Stock Exchange (ASX) and the Sydney Futures Exchange (SFE), are looking at ways of enhancing their regional presence.

Australia has some natural advantages: an educated multilingual workforce, a developed legal and accountancy system, and a relatively cheap property market. (According to Mr Allan Moss, chief executive of Macquarie Bank, property in Singapore is so expensive that, when his staff are working on deals there, it is worth flying them up every week and keeping them in hotels.)

But there are disadvantages, too. One is the country's relatively tough tax regime. Australia still imposes withholding tax on interest, and, though stamp duty on securities turnover was recently halved to 0.3 per cent, it deprives Australia of competitive edge.

What is more, for some types of business, distance does mat-

Australia: All Ordinaries index



ter. Australia is in broadly the right time zone, but its limited stock exchange trading hours - 10 in the morning to four in the afternoon - are a drawback. Mr Richard Humphry, ASX managing director, says dissatisfaction with trading hours was one reason why Jardine Matheson moved its quote to Singapore not Sydney when it cancelled its Hong Kong listing.

In other ways, the ASX is very modern. It has technology that will soon allow settlement only three days after trading

and is developing a system that will let brokers in one foreign country trade the shares of a company based in another. The system will operate out of hours, making the ASX seem more like a competitor to Reuters' Instinet than a domestically minded national exchange.

Over at the SFE, innovation is also proceeding apace. Turnover has fallen by some 13 per cent this year. Bond markets have stabilised, reducing activity in financial futures. The exchange is looking once again at building up its commodity business. Mr Leslie Hosking, its chief executive, believes that trade liberalisation as a result of the Uruguay Round and the unwinding of official support funds will create new demand for hedging instruments in commodities.

In September, the SFE established a trading link with Nymex, the New York exchange. "As business globalises there is some sense in creating strategic alliances between compatible exchanges in different time zones," explains Mr Hosking. "Nymex is a good fit for us because it is the world's largest commodity



Screaming to be heard in the global marketplace: traders at the Sydney Futures Exchange are now linked to New York's Nymex

exchange for metals and oil and we are one of the world's largest producers."

Mr Hosking says he would also like exchange members to be able to trade futures in individual Asian stocks. They can already do this in the 10 top Australian stocks. Extending the practice to foreign shares would create sectoral hedging opportunities in other Asian markets, he says, though there are "substantial" regulatory issues to resolve both at home and abroad.

The ASX already trades the shares of a number of Asian companies, having made a par-

ticular effort to attract Chinese issues. Mr Humphry believes that the market will have to make strategic alliances with other exchanges to develop further along this route. In this context, the planned Trans-Tasman index linking the ASX with its New Zealand counterpart could provide a model.

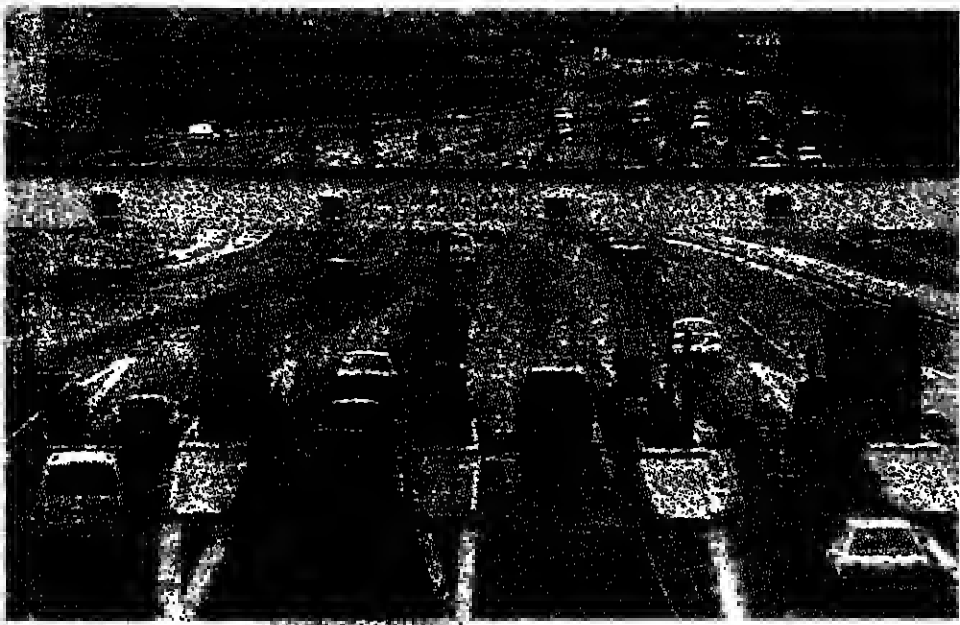
The ASX is the 10th largest exchange in the world in terms of capitalisation. But its weighting in Morgan Stanley's world index is only 1.6 per cent. Unless the ASX can keep pace with other fast growing exchanges like Kuala Lumpur, it risks being sidelined, says

Mr Humphry. Experience suggests that when a market's weighting falls below 1 per cent, international investors no longer see a need to trade in its stocks.

Over the next few years, the Sydney market should receive a domestic boost to capitalisation as cash from Australia's rapidly growing pension funds starts to flow into equities. But Mr Humphry is also determined to tap the offshore market, even if this does make his life harder in regulatory terms. In moving offshore, the ASX risks diluting the regulatory standards that supposedly

make its market attractive to investors, while still struggling to compete with large independent trading systems. However, Mr Humphry says: "You don't catch big fish in clear water."

Ultimately, the ASX would also like to demutualise, he says. This would end the exchange's conflict of interest: as a regulator it is currently responsible for policing its owners. Changes along these lines would be quite radical, but, according to Mr Humphry, "if we don't do these things, then I can't see how we can survive."



Toll roads in Sydney: further infrastructure

Infrastructure by Peter Montagnon

## Support for sell-offs

Despite its risks, privatisation is more acceptable to both investors and trade unions

Australia has privatised more of its infrastructure than other countries in the Asia-Pacific region.

It has been a desire to increase the efficiency of the economy and, in the case of some states such as Victoria, to reduce a mounting debt burden. The privatisations offer investors and banks a rare opportunity to take stakes in a range of utilities including roads, electricity, gas pipelines and even prisons.

Australian financial institutions have developed specialised and exportable skills in analysing and allocating risks in private sector infrastructure projects. They have also pioneered a range of new financing techniques. These include the use of index-linked debt securities and, in the flotation of Sydney's M2 motorway, a share issue that paid dividends even before the project had been built.

According to some estimates, the volume of infrastructure privatisation under way or planned amounts to as much as \$43bn (\$14bn). A list of the larger projects makes clear the scale of the transformation of Australia's approach to utilities.

It includes the complete reorganisation and sale of the electricity industry in Victoria, where five generating companies worth an estimated \$6bn are being sold.

Other sectors are just as active:

- toll roads worth some \$5bn are projected in New South Wales and Victoria;
- the federal government is leasing Australia's airports for some \$2.5bn;
- gas pipelines worth \$2bn are planned in Western Australia and Victoria;
- and Victoria is planning an \$8bn water project.

The extent of the programme suggests that the risks associated with privatisation in Australia are perceived as small compared with southeast Asia. In countries such as Thailand and Malaysia there is little awareness of, or expertise in, insurance policy. Governments sometimes try to impose new pricing policies even after contracts have been signed.

Yet in Australia the pitfalls can still be considerable. Bankers admit they are going through a learning process. The key is handling risk: unbundling it, assessing it, pri-

oritising it and then selling it.

At present, the private sector is not yet fully equipped to handle the risks of infrastructure projects. The federal government, which sets overall policy, has a complex relationship with the states, which are responsible for managing and regulating local utilities.

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## AMERICA

## Internet lifts high-tech stocks, Dow volatile

## Wall Street

US shares were volatile in heavy volume early yesterday as the bond market waxed and waned ahead of an afternoon auction of five-year notes, writes Lisa Branstetter in New York.

At 1pm the Dow was up 3.51 at 5,081.71, having climbed as much as 12 points earlier in the session. The Standard & Poor's 500 was 0.26 lower at 606.20, and the American Stock Exchange Composite rose 1.02 to 531.76. Volume on the New York Stock Exchange came to 227m shares.

The Nasdaq composite added 2.12 to the 20.73 points it gained on Tuesday, bringing the index to 1,052.17 in spite of declines in some of the index's biggest companies. Microsoft and Intel, the two largest companies on the Nasdaq, receded \$1.14 to \$39.94 and \$2.12 to \$68 respectively.

Those losses, however, were countered by gains in some healthcare companies. Oxford Health Plans appreciated \$1.14 to \$75 and US Healthcare

moved ahead \$1.14 to \$44.

Applied Materials added \$1.14 at \$48 after meeting analysts' expectations regarding its fourth quarter earnings, which were reported after the market closed on Tuesday. Internet-related companies also continued to soar. Netscape Communications added \$2.12 to the \$20 it had risen on Tuesday, bringing the shares to \$42.14.

Pixar, the computer animation company, began trading well above its offer price of \$23. By 1pm the shares were changing hands for \$39.4, having jumped as high as \$50 in early trading.

Travelers Group added \$3.06 to \$66.66 per share after announcing that it would buy Aetna Life & Casualty's cash and equity business for \$400 in cash. Aetna's shares fell \$2.12 to \$73.14.

American depository receipts of Mexican companies gained in New York trading on news that Mexico might be able to tap international capital markets again in the short term.

Telmex added \$1.14 at \$33.34, Grupo Televisa was \$1.14 stronger at \$21.14 and Descor rose \$1.14 to \$12.

## Canada

Toronto opened higher but golds lost their early equanimity, showing a loss of more than 1 per cent in midsession. The TSE 300 Composite index was 1.37 off at 4,658.81 by noon, morning volume easing from 31m to 29.8m shares.

High-tech stocks were lifted by enthusiasm for US Internet-related issues in New York. Candalf Technologies led most active at midsession, rising \$2.12 to \$22.12 in volume of 1.07m shares.

## SOUTH AFRICA

Equities were generally softer after Tuesday's rally, and the overall index shed 23.2 to 5,982.6, the industrials index lost 23.8 to 7,614.6 and the golds index fell 28.5 to 1,323.4. De Beers retreated \$1.50 to \$105 and Anglo added 50 cents to \$217.50, while Dries relinquished \$2.00 at \$40.25.

## EUROPE

Hopes that the Bundesbank would cut key rates today kept FRANKFURT in high ground, the Dax index improving 6.84 to an all-time high of 2,949.75.

Turnover rose from DM6.8m to DM7.4m and the general share price mood was similar, modestly better at best, but one or two financials - the Bavarian banks, and Munich Re - reflected the mood of anticipation.

Mr Reinhard Fischer, a partner in Research Vision, said that most of the German economy was now slowing down, and forecasts for 1996 were retreating which would suggest that inflation, and money supply growth, would stay under control.

Political pressures were rising for a cut in interest rates, he added, and a carefully more stringent fiscal policy was in place. He saw a 55-55 chance of a rate cut today, and a 90 per cent chance of a cut this year.

PARIS demonstrated just how sensitive it had become to rumours when reports that Prime Minister Alain Juppé had resigned sent some investors rushing to sell. The rumour, as so often, proved false but, taken together with suggestions that US investors were taking profits after the market's recent rally, sent the CAC-40 down 13.01 to 1,857.33. The rail strike, in its sixth

day, kept a number of brokers away. Turnover reached only FF3.5m.

There was some movement on the upside, particularly in LVMH on a rumour, later denied by the company, that it was considering selling all or part of its 20 per cent stake in Guinness, of the UK. The shares accelerated to a session high of FF973, before closing FF970 up at FF968.

Canal Plus continued to benefit from the news that it was expanding its services and the shares moved forward FF9 to close at FF994.

AMSTERDAM reached a new all-time closing high on hopes for a cut in interest rates today. The AEX index rose 3.37 to 477.22. The financial sector led the news that rates could be on the decline and ING put on FI 140 at FI 106.00.

But the situation elsewhere was less rosy, with Wolters Kluwer remaining under pressure following its announcement that it was to make a \$1.9m bid for a US publishing house. The stock dropped FI 3.80 to FI 137.10.

Netlloyd was also on the downside after the transport and shipping group reported disappointing third-quarter results late in the session. The shares finished FI 170 weaker at FI 84.70.

ZURICH took Tuesday's UBS

## FT-SE Actuarial Share Indices

		THE EUROPEAN SERIES									
		Nov 29	Nov 28	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23	Nov 22	Nov 21	Nov 20
FT-SE Actuaries 100	1462.15	1462.81	1463.41	1463.94	1464.45	1464.95	1465.45	1465.95	1466.45	1466.95	1467.45
FT-SE Actuaries 200	1558.07	1558.07	1558.24	1558.24	1558.24	1558.24	1558.24	1558.24	1558.24	1558.24	1558.24

profiles warning to heart and banks fell, although the market closed higher with the SMI index up 16.7 at 3,246.2.

Industrials rose but UBS, down SF10 at SF1,237, led the active list, and SBC fell SF7 to SF1,459 as Salomon Brothers said that it had moved from buy to neutral on the stock; indeed, said Mr John Leonard, the Salomon analyst, he had turned neutral on the entire Swiss banking sector.

MILAN remained unimpressed by the newly listed Eni issue, and with investor sentiment at a low point the Milbel index fell 94 or 1 per cent to 4,892, while the Comit shed 7.62 or 1.3 per cent to 557.40. Turnover was 1,350m.

Eni again failed to pick up steam and the stock remained stuck at the offer price of L5,250 in volume of 18.4m shares.

Among telecoms, there was a bout of selling in Telecom Italia, down L109 to L2,190; and

Olivetti fell L7 to L1,054, reacting to news that it was to lay off 1,000 employees.

MADRID, disappointed in its interest rate hopes early in the week, put rate-sensitive sectors on the back burner; it took a 1.2 per cent gain in communications, with Telefonica up Pta20 at Pta1,700, and a 1.4 per cent rise in foods to leave the general index 1.03 higher at 311.49.

Dealers said that the bourse was fundamentally solid, but that it was seeing a process of consolidation after last week's gains.

STOCKHOLM featured a 6.8 per cent gain in the car airbag and seat belt maker Autoliv, SKR23.50 ahead at SKR370.50 on news that Ford would introduce side impact airbags, and that Autoliv would be a supplier. The Affarsvarlden General index rose L14 to L1,734.5.

HELSINKI saw Nokia A up FM45 or 6.8 per cent at FM244 after gains overnight in New

York, where high-tech shares were flying again. The Hex index rose 43.52 or 2.3 per cent to 1,930.9. Kymmene putting on FMA at FMA20 but unable to comment on large after-hours deals which saw nearly 1m shares traded in the stock.

ISTANBUL fell as low as 36,461, down 5.2 per cent, after losses of 5.4 per cent on Monday and 3.6 per cent on Tuesday, before mounting a strong late afternoon recovery to close with the composite index off 712.67 or 1.9 per cent on the day at 37,757.82.

Brokers said that an upward reaction was awaited after recent losses but that its duration could not be predicted, given stronger investment alternatives in the bond and currency markets ahead of the early general election set for December 24.

VIENNA stayed in positive territory in spite of a fibre patent ruling which left Leuzing down Sch85 or 6.7 per cent at Sch785 in turnover four or five times above the daily average for the textile stock. The ATX index ended 1.66 higher at 930.46, with AMS, the microchip producer, up 3 per cent and Wienerberger, the building materials group, another 2 per cent to the good.

Written and edited by William Cochrane and John Pitt

## Mexico City leads region higher

Mexico City was given a lift at midsession by lower interest rates, and positive interest in a forthcoming sovereign debt issue. The IPC index was up 22.11 or 2.8 per cent at 2,687.57.

Mexico said that it was to launch a \$1.5bn global note, much larger than had been originally planned because of an improvement in investor confidence in the country.

Interest rates fell for the second consecutive week, with rates on the 28-day Cetes dipping 128 basis points to 63.46 per cent.

SAO PAULO was also strong in early after-

noon trade in response to the government's announcement of proposals to liberalise the telecommunications sector. The Bovespa index put on 972.55 or 2.4 per cent at 41,471.

BUENOS AIRES moved higher in early trading, the Merval index advancing 15.47 or 3.4 per cent to 465.52 by midday.

There was particular interest in Telefonica and Telecom, which surged by 6.4 per cent and 5.8 per cent respectively. Dealers said the two stocks were catching up with their ADRs, which had risen strongly in New York on Tuesday.

## ASIA PACIFIC

## Nikkei falls despite rally in high-tech issues

## Tokyo

Buying of high-technology issues failed to offset profit-taking by corporate investors and technical selling, leaving the Nikkei average lower for the first time in three trading days, writes Emiko Tazawa in Tokyo.

The 225 index shed 154.44 or 0.8 per cent to 18,533.86 after its 2.6 per cent rise over the previous two days, moving between 18,470.11 and 18,738.04 amid relatively quiet trading. Volume totalled 370m shares, against 473m, as an increasing number of investors started to become cautious about overheating in the market.

The Tokyo index of all first section stocks declined 9.38 to 1,464.31 and the Nikkei 300 slipped 2.07 to 274.83. Losers led gains by 688 to 378, with 147 issues unchanged.

In London the ISE/Nikkei 50 index put on L18 at L2,563.55.

Large-capital steels and shipbuilders, which had been higher on hopes of lower interest rates and an upturn in the economy, relinquished ground on profit-taking by domestic corporate investors and financial institutions.

Nippon Steel receded Y5 to Y553, NKK Y7 to Y282 and Mitsui Engineering and Shipbuilding Y2 to Y269.

High-technology stocks were supported by the sector rally on Wall Street. Fujitsu rose Y30 to Y1,190 and NEC Y20 to Y1,230. Consumer electronics companies were higher, too, with Sony up Y50 to Y5,400.

Kajima, the leading general contractor, recovered Y8 to Y978 after Tuesday's decline on a rating downgrade by a US securities house. Investors had sold the shares following reports of the company's involvement in alleged bid rigging in 1993 on a municipal garbage processing plant in Nagoya.

Speculative buying continued to buoy shares linked to the possible relocation of the Capital from Tokyo. Towns Real Estate gained Y7 to Y432.

In Osaka, the OSE average slipped 27.65 to 19,877.07 in volume of 151m shares.

## Roundup

Monday's strong growth figures for the Philippine economy were reflected again in MANILA, foreign investors purchasing more blue chips and the composite index staging its eighth consecutive gain, up 49.91 at 2,442.16 in turnover of 1.52m pesos.

KARACHI's rise, in contrast, was a recovery after eight losses in a row, the KSE 100 index rising 17.39 to 1,340.92 after shedding around 10 per cent in the previous eight sessions. However, short-selling by speculators trimmed early

gains towards the close, the rally was described as technical, and dealers stayed bearish.

BOMBAY remained nervous about Reliance's threat to delist from the BSE, and the SENSEX index fell through 2,900 at one stage before ending 38.06 down at 2,922.16.

Reliance, accounting for 12.5 per cent of the key index, lost Rp8.30 at Rp200.70. The company later confirmed that it would list on the National stock exchange, an electronic bourse, from December 6.

TAIPEI's weighted index fell 1.4 per cent or 65.81 to 4,700.88 in turnover of T\$36.34bn as profit-taking, which began on Tuesday, became more widespread ahead of the weekend's parliamentary elections.

The electronics sector suffered the sharpest decline, losing 1.8 per cent as investors began to question the industry's long-term prospects.

Taiwan slid 60 cents to T\$41.40 and GVC T\$2.70 to T\$39.50.

BANGKOK fell back in thin trade for the third consecutive day after investors sold banks. The SET index lost 7.26 to 1,198.59 in turnover of B\$3.7bn.

Siam Cement, which announced a slight decline in profits for the third quarter, was off B\$45 at B\$1,193.

JAKARTA saw further profit-taking in Telkom outweighed by late buying in other, liquid, large-capitalisation stocks, and the JKSE Composite index moved forward 4.86 to 478.63. Telkom dipped Rp25 to Rp2,375.

SYDNEY majored in golds, the sector index advancing 3.3 per cent after the bullion price rose by US\$3.35. Acacia Resources climbed 16 cents or 7.3 per cent to A\$2.96 and Newcrest Mining 27 cents or 4.8 per cent to A\$6.30.

The broad market was firmer as it digested third-quarter GDP figures, and anticipated today's October current account data. The All Ordinaries index finished 5.0 ahead at 2,160.0.

WELLINGTON suffered due to weakness in the leading issues, while Trust Bank lost 15 per cent to NZ\$2.05 after reporting disappointing interim results. The NZSE-40 Capital index shed 11.46 to 2,152.63 in turnover of NZ\$51m.

## EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms		Local currency terms	
		Nov. 24 1995	% Change over week	Nov. 24 1995	% Change over week
Latin America	(252)	447.14	+3.1	-22.9	
Argentina	(30)	715.31	+5.6	-2.5	
Brazil	(72)	293.15	-1.0	-23.7	
Chile	(6)	705.16	-0.2	-10.1	
Colombia	(16)	555.48	-0.6	-31.8	
Mexico	(67)	417.07	+8.9	-31.4	
Peru	(19)	185.74	+5.4	+4.2	
Venezuela	(12)	803.54	-2.4	-12.9	
Asia	(677)	217.89	+2.3	-12.6	
China	(2)	217.89	+2.3	-12.6	
South Korea	(159)	135.72	-0.3	-0.8	
Philippines	(25)	229.08	+3.5	-23.1	
Taiwan, China	(93)	99.80	+0.0	-39.3	
India	(101)	78.83	-3.1	-36.3	
Indonesia	(42)	101.39	+3.1	+1.2	
Malaysia	(114)	250.65	+3.7	-6.8	
Pakistan	(36)	224.93	+6.6	-6.6	
Sri Lanka	(19)	104.69	-2.0	-39.1	
Thailand	(68)	361.23	+2.5	-5.8	
Euro/Mid East	(209)	138.41	-1.7	+16.8	
Greece	(40)	233.21	-2.1	+3.4	
Hungary	(9)	111.89	-3.1	-26.3	
Jordan	(6)	180.76	-1.7	+20.5	
Poland	(16)	446.20	-2.5	-4.9	
Portugal	(27)	114.26	-1.6	-5.8	
South Africa	(54)	247.09	-1.3	+10.3	
Turkey	(44)	120.59	-5.0	-1.0	
Zimbabwe	(5)	262.80	-3.3	+7.5	
Composite	(1135)	263.09	+1.1	-14.4	

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1989=100 except those noted which are: Japan 1989=100; Korea 1989=100; Brazil 1989=100; Chile 1989=100; China 1989=100; India 1989=100; Indonesia 1989=100; Malaysia 1989=100; Pakistan 1989=100; Sri Lanka 1989=100; Thailand 1989=100; Taiwan 1989=100; Turkey 1989=100; Venezuela 1989=100.

The forthcoming parliamentary elections in Taiwan on Saturday have been the main focus of attention for investors in recent weeks, writes John Pitt.

With forecasts that the ruling KMT or Nationalist party might lose its majority, the market's performance in the IFC's investable dollar index has been soured, down by almost 40 per cent since the start of the year. However, in recent days a shift in opinion has emerged and some political commentators have even suggested that the KMT could either hold on to power or, at worst, form a new administration with independent MPs.

The elections will also serve as a guide to next year's presidential election, which will be the first by universal suffrage.

Fund managers are cautious ahead of the ballot. Mr James Hancock of Guinness Flight in London says that a great deal depended on Saturday's outcome, but he is reasonably positive at present, with a couple of days left to polling, that the KMT could maintain a slim majority. The stock market looks particularly inexpensive from an historical point of view, trading at a 1995 price/earnings ratio of 15 and a prospective 1996 p/e of 12, he says.

South Africa's weighting in the IFC investable index is to be reduced from January with the aim of eliminating "cross-holdings". The IFC says that the index's weightings will be adjusted to account for companies in the index which have a holding in another index company. Consequently, the weighting of South Africa will be reduced to 18.7 per cent in January from 25.7 per cent at the end of October. Mr Peter Wall at the IFC says that about one-third of the 65 stocks in the IFC's index are held by another index company. Other changes include a cut in the weighting of Colombia to 1 per cent from 1.4 per cent, and a rise in Chile to 7.3 per cent from 1.9 per cent.

## FT/S&amp;P ACTUARIAL WORLD INDICES

The FT/S&P Actuarial World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	US Dollar Index	TUESDAY NOVEMBER 28 1995		MONDAY NOVEMBER 27 1995		DOLLAR INDEX	
		Nov. 28 1995	% Change	Nov. 27 1995	% Change	Nov. 28 1995	% Change
Australia (37)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Belgium (25)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Brazil (28)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Canada (101)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Denmark (23)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Finland (25)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
France (100)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Germany (28)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Hong Kong (55)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Ireland (16)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Italy (85)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Japan (453)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Malaysia (108)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Mexico (16)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Netherlands (18)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
New Zealand (14)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Norway (33)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Singapore (44)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
South Africa (45)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Spain (38)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Sweden (47)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Switzerland (41)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Thailand (46)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
United Kingdom (205)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
USA (503)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Americas (650)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Europe (737)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Nordic (138)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Pacific Basin (832)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Euro-Pacific (1509)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
North America (604)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Europe Ex. UK (531)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
Pacific Ex. Japan (349)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
World Ex. US (1781)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
World Ex. UK (2059)	167.02	167.02	0.0	167.02	0.0	167.02	0.0
World Ex. Japan (1781)	167.02	167.02	0.0	167.02	0.0	167.02	0.0